

Administrative Review Guidance Manual

For monitoring of program requirements under the National School Lunch Program, School Breakfast Program, and other Federal school nutrition programs



U.S. Department of Agriculture
Food and Nutrition Service
School Meal Programs

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Administrative Review Guidance – Forms, Tools, Worksheets

1. Off-site Assessment Tool
2. On-site Assessment Tool
3. Nutrient Analysis and Validation Checklist
4. Resource Management Comprehensive Review Form
5. SFA Data Summary (SFA-1)
6. Eligibility Certification and Benefit Issuance Error Worksheet (SFA-2)
7. Other Eligibility Certification and Benefit Issuance Errors Worksheet (SFA-3)
8. School Data and Meal Pattern Error Form (S-1)
9. Other Meal Claim Errors (S-2)
10. Non-reimbursable Meal Allocation Form (FA-4)
11. Supplemental Afterschool Snack Program Administrative Review Form
12. Supplemental Seamless Summer Option Administrative Review Form
13. Supplemental Special Milk Program Administrative Review Form

Note: The following tools are available on the accompanying compact disc.

1. Meal Compliance Risk Assessment Tool
2. Dietary Specifications Assessment Tool
3. Statistical Sample Generator
4. Resource Management Risk Indicator Tool
5. Fiscal Action Workbook (FA-1)
6. Fiscal Action Workbook (FA-2)
7. Fiscal Action Workbook (FA-3)

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Introduction to the Administrative Review

The Richard B. Russell National School Lunch Act, as amended by the Healthy Hunger-Free Kids Act of 2010 (HHFKA), requires a unified accountability system designed to ensure that participating school food authorities (SFAs) comply with National School Lunch Program (NSLP) and School Breakfast Program (SBP) requirements. The Act also requires an accountability system that conducts Administrative Reviews to evaluate Program requirements for NSLP and SBP during a three-year cycle.

The Administrative Review described in this guidance provides a comprehensive evaluation of school meals programs by State Agencies (SAs) of SFAs participating in the NSLP and SBP, and includes both Critical and General Areas of Review. The Food and Nutrition Service (FNS) has expanded the scope of review for both the Critical and General Areas to provide for a more robust review of program operations. This includes the implementation of the HHFKA program requirements and other Federal programs. FNS provides forms, instructions and guidance to standardize the review process.

FNS intends this process to underscore the importance of ensuring all aspects of the Administrative Review Process are meaningful and address program requirements. However, given the complexity of the procurement process and the need for on-going technical assistance in procurement, SAs must address compliance with procurement requirements through a separate review process (i.e., not included in the Administrative Review).

SAs should note that this Guidance uses the term “SFA”, not local educational agency (LEA), to refer to the governing body responsible for the administration of one or more schools which the SFA has included on the program application to the SA. While the terms are often used interchangeably, the Guidance only uses the term “SFA”, for clarity.

However, there are several areas of program responsibilities that fall to entities outside of school food service. In these situations, the SA must assess how unit(s) of the local educational agency or other than the school food service, implement their responsibilities, as applicable. The most notable of these areas are the certification and benefit issuance process (Section II), indirect costs (Section IV), and Local Wellness Policy (Section V).

Overview of the Administrative Review Process Guidance Manual

The Administrative Review Guidance Manual is composed of the following sections:

- Section I: Pre-visit Procedures
- Section II: Meal Access and Reimbursement
- Section III: Nutrition Quality and Meal Pattern
- Section IV: Resource Management
- Section V: General Program Compliance
- Section VI: Other Federal Program Reviews
- Section VII: Post-Review Procedures
- Section VIII: Fiscal Action
- Authorities
- Glossary of Terms
- Addendum: Special Assistance Alternatives

The regulations governing the Administrative Review (7 CFR 210.18) reference two Critical Areas of performance, Performance Standard 1 and Performance Standard 2, as well as a number of General Areas of Review. These references do not signify a higher priority of one area of review over the

other. While the regulations use the term “Critical Areas” to describe Performance Standards 1 and 2, compliance standards in the General Areas of Review are equally important. The regulations require fiscal action for the Critical Areas and provide the framework to allow SAs to take fiscal action or withhold payments for program noncompliance in the General Areas.

In this Guidance manual, Performance Standard 1 corresponds with Section II: *Meal Access and Reimbursement* and Performance Standard 2 corresponds with Section III: *Nutrition Quality and Meal Pattern*. Section IV: *Resource Management*, Section V: *General Program Compliance* and Section VI: *Other Federal Program Reviews* cover the General Areas of Review. Sections II through VI contain modules addressing the scope of review. Each module includes:

- Intent/Scope of Monitoring
- Review Procedures
 - Pre-visit Review Procedures
 - On-site Review Procedures
- Technical Assistance/Corrective Action
- Fiscal Action

Note: All forms, tools and checklists are found in the accompanying document, *Administrative Review Guidance — Forms*.

Administrative Review Numbering System

This Guidance assigns each Administrative Review monitoring area a unique series of numbers (e.g., Certification and Benefit Issuance – 100’s). The numbers are identified on all associated questions, forms and related material to ensure continuity between the guidance and review documents.

Number Series	Monitoring Area
<i>Section II: Meal Access and Reimbursement (Critical Area – Performance Standard 1)</i>	
100	Certification and Benefit Issuance
200	Verification
300	Meal Counting and Claiming
<i>Section III: Nutritional Quality and Meal Pattern (Critical Area - Performance Standard 2)</i>	
400	Meal Components and Quantities
500	Offer versus Serve
600	Dietary Specifications and Nutrient Analysis
<i>Section IV: Resource Management (General Areas)</i>	
700	Resource Management
<i>Section V: General Program Compliance (General Areas)</i>	
800	Civil Rights
900	SFA On-site Monitoring
1000	Local School Wellness Policy
1100	Competitive Food Services
1200	School Meal Environment Report Card
1300	Water
1400	Food Safety
1500	Reporting and Recordkeeping
1600	School Breakfast Program and Summer Food Service Program Outreach
<i>Section VI: Other Federal Program Reviews (Critical and General Areas)</i>	
1700	Afterschool Snacks
1800	Seamless Summer Option
1900	Fresh Fruit and Vegetable Program
2000	Special Milk Program

Overview of the Administrative Review Process

The Administrative Review is the SA assessment of the SFA's administration of the NSLP and SBP, and other school nutrition programs. The objectives of the Administrative Review are to:

- Determine whether the SFA meets program requirements
- Provide technical assistance
- Secure any needed corrective action
- Assess fiscal action, if applicable

Review Frequency

SAs must conduct Administrative Reviews of all SFAs participating in the NSLP and/or SBP at least once during each three-year review cycle period, provided that each SFA is reviewed at least once every 4 years. For each SA, the first three-year review cycle starts the school year beginning on July 1, 2013 and ending on June 30, 2014. FNS may, on an individual SFA basis, approve written requests for one-year extensions to the three-year review cycle if FNS determines the three-year cycle requirement conflicts with efficient SA management of the Program. (7CFR 210.18(c))

Any SFA entering the NSLP and/or SBP at any point during the three-year review cycle must be reviewed prior to the end of the review cycle. SAs are encouraged to conduct more frequent Administrative Reviews of large SFAs and of any SFA which may benefit from a more frequent interval.

Note: SAs are required to notify FNS of scheduled Administrative Reviews, upon FNS request. (7 CFR 210.18(d)(1)).

Scope of Review

General

The scope of the Administrative Review focuses on two primary review components: Critical Areas of Review and General Areas of Review. The Critical Areas of Review are Performance Standard 1 and Performance Standard 2. Performance Standard 1 focuses on the certification and benefit issuance process and the accuracy of meal counting and claiming. Performance Standard 2 focuses on whether meals claimed for reimbursement meet meal pattern and nutritional quality requirements. The General Areas of Review are resource management and other general areas of program compliance. Resource Management addresses the maintenance of the nonprofit school food service account, paid lunch equity, revenue from non-program foods, indirect costs and USDA Foods. General program compliance includes civil rights, SFA on-site monitoring, Local School Wellness Policy, competitive food services, school meal environment, water, food safety, reporting and recordkeeping, and outreach.

The Administrative Review Process is designed to allow the SA to conduct specified aspects of the review off-site and other aspects on-site. Under the off-site component, SAs collect information available at the SA or from the SFA and record the information on the *Off-site Assessment Tool*. The Tool allows the SA to gain a better understanding of SFA operations prior to the on-site review, thus providing for a more robust review while decreasing the SA's on-site review time. The SA's analysis of this information informs the scope of the on-site portion of the Administrative Review. While SAs are encouraged to conduct specified aspects of the review off-site, the SA may conduct any off-site portion of the review on-site, at their discretion (with the exception of the Resource Management off-site review).

The SA's on-site portion of the Administrative Review is intended to validate the information collected on the *Off-site Assessment Tool* and provide an opportunity for the SA to observe the operation of the school nutrition programs at the SFA and in selected schools. The SA documents its findings on the *On-site Assessment Tool*.

Pre-visit Procedures and the Off-site Assessment

The first step in the Administrative Review Process is to contact the SFA's superintendent and food service director and send a confirmation/introductory letter. The letter must advise the SFA of the impending review.

Next the SA should complete the *Off-site Assessment Tool* prior to the on-site portion of the Administrative Review. The completion of the *Tool* will require collaboration with SFA staff. The SA is encouraged to begin completing the *Off-site Assessment Tool* as far in advance as possible.

Some of the information collected on the *Off-site Assessment Tool* can be obtained by reviewing the SFA's annual update to the permanent agreement, by calls to the SFA or through other means. The data collected must be current, i.e., collected during the year scheduled for review and reflective of the current school year unless otherwise specified in this guidance.

For more information on pre-visit procedures, see Section I: *Pre-visit Procedures*.

Site Selection Procedures

When selecting schools for the Administrative Review, the SA must use the procedures described in Section I: *Pre-visit Procedures* under "*Site Selection Procedures*". Site selection may occur prior to the review date or may occur at the time of the review.

On-site Review Procedures

Entrance Conference

FNS encourages SAs to begin the on-site portion of the Administrative Review by conducting an entrance conference with the relevant SFA staff (e.g., Food Service Director, Business Manager, and Superintendent). At the conference, the SA should discuss the results of the *Off-site Assessment*

Tool, explain what the SA covers during the on-site review, and inform the SFA which schools it will review. While conducting an entrance conference is not a requirement in program regulations, a formal entrance conference helps to establish the tone for the review — an important step, as the Administrative Review Process is intended to provide technical assistance balanced with an assessment of program compliance.

Scope of the On-site Review

To fully evaluate the SFA's compliance with all program requirements, all modules of the *On-Site Assessment Tool* must be completed. This includes an examination of

- The SFA's free and reduced-price certification — from certification to benefit issuance, to ensure the SFA process complies with program requirements
- The meal service — to ensure the school(s) and SFA procedures yield accurate meal counts and claims for reimbursement, and to ensure the school's meal service complies with requirements
- The General Areas — to ensure all other program areas comply with program requirements

Exit Conference

At the conclusion of the on-site portion of the Administrative Review, the SA must conduct an exit conference to notify SFA staff of any program findings identified, the extent of the findings, and a preliminary assessment of the actions needed to correct the findings. The SA must address appropriate deadlines for completion of corrective action.

The exit conference is an opportunity to establish an agreed-upon Corrective Action Plan that identifies the needed corrective action and the timeframes for those actions. The Corrective Action Plan must identify

- Administrative Review finding(s)
- The corrective action(s) required
- The timeframe(s) by which the corrective action(s) must be completed

- Any documentation the SA expects the SFA to provide to demonstrate corrective action was completed

The SA should make every effort to provide the SFA with a summary of the noted compliance areas to facilitate the immediate development of corrective action.

The SA may accept documented corrective action at the time of the Administrative Review or the documented corrective action may be submitted as described below.

Administrative Review Report/Corrective Action Plan

Once the on-site portion of the review is complete, the SA is responsible for incorporating all of the review results into an Administrative Review Report. The SA must provide the Administrative Review Report to the SFA's Superintendent or designee.

The report must include the review findings, a Corrective Action Plan which summarizes the agreed-upon corrective actions and associated timeframes for corrective action, and any potential fiscal action.

The report must also include:

- a statement indicating that the SFA may submit a written appeal of the denial of all or part of a claim for reimbursement or withholding of payment, and
- instructions on how to submit the written appeal, including any required timeframes the SFA should be aware of and the name and address of the office the SFA must send the appeal.

The SA should issue the Administrative Review Report within 30 days of the date the exit conference was conducted. In rare situations when an SFA is found to be significantly out of compliance with multiple program areas, the report may take up to 60 days.

Technical Assistance/Corrective Action

The SFA must provide documentation of corrective action for any Administrative Review finding(s) identified by the SA in the Corrective Action Plan. As mentioned above, documented corrective action can be provided at the time of the Administrative Review; however, it must be postmarked or submitted to the SA no later than 30 days from the deadline for completion of each required corrective action. In rare situations, the SA may approve extensions of timeframes if corrective actions are expected to take longer or require follow up with the SFA for more information.

Upon receipt of the SFA's documented corrective action, the SA should determine whether the documentation is complete and resolves the finding(s) identified. Once the SA approves corrective action, it should send a closure letter to the SFA closing the review within 30 days of receipt of the documented corrective action.

The exit conference, Corrective Action Plan, and documented corrective action are discussed further in Section VII, *Post-Review Procedures*.

FNS requires that the SA provide SFAs with any needed technical assistance. The SA must document any technical assistance it provides to the SFA during the pre-visit phase as well as during the on-site portion of the Administrative Review. This includes, but is not limited to, any resources, policy clarifications, formal or informal training.

FNS does not require SAs to conduct follow-up reviews. However, SAs should consider conducting a follow-up review if the SA determines further review/intervention is needed.

Review Schedule

SAs have flexibility in scheduling reviews within the review cycle since FNS does not require a yearly minimum number of Administrative Reviews. However, for the first year of the new review cycle

(SY 2013-2014), SAs must include any SFA scheduled for review in SY 2012-2013 whose review was postponed. In addition, State agencies are required to conduct an administrative review early in the review cycle for any SFAs that have not applied for the performance-based certification (6 cents) or whose certification request was denied during the certification process or “turned off” during a validation review for significant meal pattern violations. Finally, it may not be possible for the State agency to review all SFAs that meet these criteria in SY 2013-14; therefore the first priority is any SFA whose review was postponed, then as many of those without certification as possible in the first year of the cycle, then completing those uncertified SFAs early in the second year of the cycle. (7 CFR 210.18(d) and (e)).

Review Period

Unless otherwise specified in this Guidance, the period of review includes the most recent month for which a Claim for Reimbursement was submitted, provided that it covers at least ten (10) operating days. The Claim for Reimbursement is considered to be submitted once it has been mailed or provided to the SA. Some sections of the Administrative Review establish additional review period requirements, most notably, assessing activity on the day of review.

Some unique circumstances are handled as follows:

Early in the School Year, Prior to Claim Submission

Subject to FNS approval, Administrative Reviews may be conducted early in the school year, prior to the submission of a Claim for Reimbursement. However, the review period must be the prior month of operation in the current school year and include at least ten (10) operating days.

Multi-track Year- Round Schools

In multi-track year-round schools, the period selected as the review period should coincide as closely as possible with the calendar in use during the day(s) of review.

Follow-up Reviews

While the Administrative Review Process does not require follow-up reviews, SAs must consider conducting a follow-up review when they find significant and/or repeated Critical or General Area violations. If the SA conducts a follow-up review, the follow-up should occur as soon as possible after the SFA provides documented corrective action, to validate the corrective action and ensure prompt and permanent corrective action is taken.

Forms, Tools, Worksheets

FNS has developed forms, tools and worksheets to facilitate the Administrative Review. SAs are required to use the Administrative Review form(s) as they apply to the critical areas, i.e., the *Off-site Assessment Tool*, the *On-site Assessment Tool* and the *Fiscal Action Workbook*. While SAs are encouraged to use all FNS-developed forms for the non-critical areas of the Administrative Review, SAs may develop their own review forms, provided the SA-developed forms result in the same review coverage and findings as the FNS-developed forms, and are approved by the FNS Regional Office prior to use.

All forms, tools, and worksheets are found in the accompanying document and compact disc, *Administrative Review Guidance — Forms, Tools, Worksheets*.

Section I: Pre-visit Procedures

Intent/Scope

Preparing for an Administrative Review is an integral part of the overall review process, whether selecting the correct number of schools to visit, examining claims for reimbursement, or scheduling a time for an entrance conference.

Being prepared prior to the on-site visit allows SAs to use the time on-site more efficiently. This section provides Guidance and the procedures necessary for completing the pre-visit process.

Review Procedures

Pre-visit Review Procedures

The SA must review documentation available at the SA, pertaining to the SFA receiving the Administrative Review. The SA should use available information to complete the *Off-site Assessment Tool*, including:

- SFA agreement
- Free and reduced price policy statement
- Renewal applications
- Claims for reimbursement
- Other miscellaneous reports (e.g., *Verification Summary Report* , FNS-742)
- Review findings from prior years, Corrective Action Plans, and documented corrective action, as applicable
- Audits

Determine the school(s) that will receive an Administrative Review using the site selection procedures described under *Site Selection Procedures (below)*.

Obtain the names of the superintendent and food service director, and send a confirmation/introductory letter notifying them of the upcoming Administrative Review; the letter may include a check-list of documentation that the SFA should prepare prior to the on-site visit.

Contact the SFA prior to the Administrative Review to:

- Establish the terminology used by the SFA and school personnel (e.g., names of forms used for local edit checks and claims consolidation)
- Become familiar with procedures through discussion with the SFA on systems in place for meal counting, recording, and reporting; claims consolidation; application processing; verification; and benefit issuance. Obtain any information needed to complete the *Off-site Assessment Tool*. FNS recommends that SAs begin the process of completing the *Off-site Assessment Tool* at least 4-6 weeks prior to the on-site visit.

Site Selection Procedures

NSLP Site Selection Procedures

To determine the minimum number of schools subject to review, the SA must obtain data from the SFA for all participating schools. This data must include

- the school name
- type of school (elementary, combination, or secondary)
- number of serving days
- the number of students eligible for free meals in NSLP
- the number of free meals claimed for a month in NSLP

While it is recommended that the selection occur prior to the first day of the on-site portion of the review, SAs may determine site selection after the entrance conference.

To determine the minimum number of schools to review for NSLP, use the table below. For purposes of this Guidance, the term “reviewed schools” refers to the schools selected for review based on these site selection procedures.

Number of Schools in the SFA	Minimum Number of Schools to Review for NSLP	Number of Schools in the SFA	Minimum Number of Schools to Review for NSLP
1 to 5	1	41 to 60.....	6
6 to 10.....	2	61 to 80.....	8
11 to 20.....	3	81 to 100.....	10
21 to 40.....	4	101 or More.....	12*
* 12 plus 5 percent of the number of schools over 100. Fractions must be rounded to the nearest whole number.			

All schools, with the exception of Residential Child Care Institutions (RCCI) (without day students), with a free average daily participation (ADP) of 100 or more and a free participation factor of 100 percent or more must be reviewed. Selection of additional schools to meet the minimum number of schools to review must be based on the following criteria:

- Elementary schools with a free ADP of 100 or more and percent free participation of 97 percent or more
- Combination schools with a free ADP of 100 or more and a percent free participation of 87 percent or more
- Secondary schools with a free ADP of 100 or more and a percent free participation of 77 percent or more

When the number of schools selected using the criteria described above does not meet the required number of schools to review, the SA must select additional schools using SA criteria. The SA must document the reason(s) for selecting the schools for review. SA criteria may include:

- Low participation schools
- High participation schools
- Schools which have less than 100 free ADP but greater than 100 percent free participation
- Recommendations from a food service director
- Findings from the on-site visits or the claims review process
- Any school in which the daily meal counts appear questionable
- Identical or very similar claiming patterns (i.e., identical breakfast/lunch meal counts for each day of the week)
- Large changes in the free meal counts (i.e., a significant increase/decrease in the amount of free meals reported without reason)
- Schools with a new manager
- Manager or school never reviewed by SA
- New or unusual accountability system
- Proportional mix of the different counting systems employed by the SFA
- Schools with a significant number of Office of Inspector General Hotline and/or parent complaints
- Schools with alternate points of service
- Schools with a mix of age/grade groups (i.e., K-12 schools)
- Schools participating in Fresh Fruit and Vegetable Program, Afterschool Snacks, Seamless Summer Option, and Special Milk Program

Other Site Selection Criteria

SBP Site Selection Procedures

SAs must review the SBP at 50 percent of the schools that were selected for a NSLP review, with a minimum of one (1) school receiving an SBP review. SBP review sites are based on the number of schools

selected for NSLP review operating the SBP. If 10 NSLP schools are selected for review and all 10 operate SBP, then 5 SBP schools are required to be reviewed. If SBP is only in operation in 5 schools, then 3 would be required (round up). As long as a minimum of 1 school operates SBP from the schools selected for review, no additional action is needed.

However, if none of the schools selected for review operates SBP and the review sample size was obtained using the required criteria (no additional criteria were used to select the sites) then the SA must select an additional school (SBP site, minimum of 1) to review. Only SBP will be reviewed and no additional programs are required to be looked at. If additional criteria were used to obtain the required review sample size, then the SA has discretion to select an additional SBP school or replace one of the non-SBP schools with a school that does operate SBP.

Note: If the school selected for the targeted menu review (as described in Section III: *Nutrition Quality and Meal Patterns*, Module, *Dietary Specification and Nutrient Analysis*) operates the SBP, the SA must also include that school as one of the schools selected for an SBP review.

Other Site Selection Procedures

On-site review requirements for Resource Management and other Federal Programs vary. A more detailed site selection procedure for these areas is found in corresponding modules under Section IV: *Resource Management* and Section VI: *Other Federal Programs Review*.

Section II: Meal Access and Reimbursement

Modules contained within this Section include:

- Certification and Benefit Issuance (including eligibility determinations and the issuance of benefits)
- Verification
- Meal Counting and Claiming

Module: Certification and Benefit Issuance

Intent/Scope of Monitoring

This Module covers the entire certification and benefit issuance process. This activity typically occurs at the SFA (district) level, but may also occur at the school level or a combination of the two.

The certification and benefit issuance process covers the SFA's certification of a student's eligibility for free or reduced-price meals and the link to the SFA's meal counting and claiming system. The SA's examination of certification and benefit issuance is essential to ensure eligible children receive meals to which they are entitled, and that claims for reimbursement are valid.

Performance Standard 1

All free, reduced-price and paid meals claimed for reimbursement are served only to children eligible for free, reduced-price and paid meals, respectively; and are counted, recorded, consolidated and reported through a system which consistently yields correct claims.

Certification and benefit issuance is a Critical Area of the Administrative Review and falls under Performance Standard 1. For further information on the certification process, refer to the *Eligibility Manual for School Meals*.

Review Procedures

Pre-visit Review Procedures

The *Off-site Assessment Tool* should be completed prior to the on-site portion of the review to inform the SA about the SFA's certification and benefit issuance procedures.

Off-site Assessment Tool

The *Off-site Assessment Tool* has a series of questions related to certification and benefit issuance. Questions 100 -122 address the SFA's procedures regarding: eligibility determinations based on household applications, eligibility determinations specific to direct certification, and benefit issuance.

Supporting Documentation

Benefit issuance documents, including rosters or master lists; lists to distribute tickets, tokens, or student identification cards; and any other medium which is used by the school to identify the eligibility categories of students.

Analysis of Off-site Assessment Tool and Supporting Documentation

The SA must review the information in the *Off-site Assessment Tool* and supporting documentation to evaluate the SFA's risk for noncompliance with certification and benefit issuance requirements.

Note: The scope of monitoring may require the SA to assess how unit(s) of the local educational agency, other than the school food service, implement their certification and benefit issuance responsibilities, as applicable.

If the SA determines the information contained in the *Off-site Assessment Tool* adequately summarizes the SFA's certification and benefit issuance process, the SA may conduct portions of the review off-site. For example, if the SFA can provide supporting materials, the SA may choose to examine the accuracy of the certification document (e.g., application, direct certification, or other categorical eligibility determinations) and the transfer of benefits to the point-of-service benefit issuance document(s) off-site. The SA should not remove original supporting documents from the SFA, however, photocopies are permissible.

Any aspects of the steps below that are not completed off-site, must be completed during the on-site portion of the Administrative Review.

Step 1: Obtaining the Benefit Issuance Document

The SA must obtain the benefit issuance document(s) for each school under the jurisdiction of the SFA, not just the selected schools for the Administrative Review. If the SFA utilizes an electronic certification and benefit issuance system, the SA should also notify the SFA that the SA will need access to all applications and certification documents for all schools within the SFA during the Administrative Review.

The benefit issuance document should be structured as follows:

- A list of students eligible for free or reduced price meals at all schools in the SFA (not to include paid students).
- The list should contain: student's name, school name, benefit status, method of certification (application, direct certification, other), date of certification, and total number of eligible students in the SFA (if possible). In addition, the SFA should identify which students were selected for verification.
- The list should come from the point of service system used in each of the schools. For schools that use different points of service at breakfast and lunch, it is NOT necessary to send duplicative lists (from both meal services). Point-of-service benefit issuance documents are those documents directly used in the meal count system to deliver the benefits to children (e.g., rosters, master lists, etc.).
- There should be no duplication of names on the list – each eligible student should only be listed one time.
- The student names may be listed in any order (alphabetically/ by building/ by id number), but it is preferable that they are **not** grouped by benefit status.

If one benefit issuance document is maintained at the SFA with the names of students eligible for free or reduced-price benefits, and a second benefit issuance document is used at the point-of-service to check names of students receiving meals, the SA must use the second point-of-service benefit issuance document. Instances in which the benefit issuance document(s) is maintained separately for different groups of students (e.g., kindergarten students are listed on a classroom

roster and the remaining grades are listed on a master list maintained by the cashier), both the classroom and master lists must be used.

The benefit issuance document(s) may be from the day of review or a day during the review period.

Step 2: Selecting Student Certifications for Review

From the point-of-service benefit issuance document(s), the SA must select the names of free and reduced-price students for review. The SA may elect to review either:

- All free and reduced-price students on the point-of-service benefit issuance documents for all schools in the SFA; or
- A statistically valid sample of all free and reduced-price students on the point-of-service benefit issuance document for all schools in the SFA

Note: Denied applications are reviewed in Step 6 of the On-site Review Procedures below.

If the SA chooses to review a statistically valid sample of the students, the SA must follow the methodology outlined below in *Statistically Valid Sampling*. Under this methodology, SAs select a statistically valid sample of students certified for free and reduced-price meals from the point-of-service benefit issuance documents for all schools in the SFA. FNS encourages the SA to use a statistically valid sample as it will result in reviewing fewer students' certification and benefit issuance documents, and, if properly selected, the review will yield results representative of the certification and benefit issuance activity in the SFA.

Statistically Valid Sampling

Statistical sampling provides valid results only when the universe sampled is large and the sample is obtained using valid procedures. For this reason, SAs may not use statistical sampling in SFAs with 100 or fewer students certified for free or reduced-price meal benefits. In these situations, the SA must review every student's certification and benefit issuance documentation within the SFA.

The Sample Size Chart, displayed below, provides two sets of confidence levels. The first set of numbers provides estimates with a confidence level of 95 percent. The second set of numbers provides the sample size needed for a 99 percent confidence level.

The sample producing a 99 percent confidence level must be used if:

- the SFA uses a manual certification and benefit issuance system,
- the SFA uses a combination of a manual and electronic certification and benefit issuance system, or
- the SA identified potential areas of systemic errors of noncompliance based on the SFA's responses to the benefit issuance *Off-site Assessment Tool* (e.g., the system is using the wrong income eligibility guidelines).

If the SFA entirely utilizes an electronic benefit issuance and certification system and the SA did not identify any potential areas of systemic errors of noncompliance based on SFA's responses to the benefit issuance *Off-site Assessment Tool*, the SA may select a sample based on either a 99 percent or 95 percent confidence level of accuracy.

- An **electronic** certification and benefit issuance system means that the certification of benefits (i.e., household application or direct certification) and the transfer of a student's benefits to the point-of-service document(s) are completed through a computerized system. For example, the household applications are certified through a web-based or scanned approval system and all direct certification matches are completed by the SFA with a computer match. An electronic system is limited to virtually no manual data entry by the SFA. However, updates to benefits may be made manually in electronic system. Certification documents (i.e., household application or direct certification) and benefit issuance document(s) are kept electronically.
- A **manual** certification and benefit issuance system means that the certification of benefits (i.e., household application or direct certification) and the transfer of a student's benefits to

the point-of-service document(s) are completed manually by the SFA. For example, the SFA completes the certification of benefits by manually approving the household application or direct certification matches and enters the data into their system manually. Written records of the certification documents (i.e., household application or direct certification) and benefit issuance document(s) are kept on file.

- A **combination** certification and benefit issuance system means some aspect of the SFA's certification of benefits (i.e., household application or direct certification) or the transfer of a student's benefits to the point-of-service document(s) is not entirely completed electronically or manually. For example, the SFA accepts household applications via an electronic system but also accepts paper applications that must be certified manually or, as another example, the SFA enters the information submitted by the household on a paper application into the SFA's electronic system for certification.

Sample Size Chart					
Total # of students certified for free or reduced-price benefits	SAMPLE SIZE		Total # of students certified for free or reduced-price benefits	SAMPLE SIZE	
	95%	99%		95%	99%
1-100	All	All	1251-1500	300	450
101-250	60%	75%	1501-1750	310	475
251-500	50%	60%	1751-2000	320	490
501-750	40%	50%	2001-3000	335	525
751-1000	270	380	3001-4000	350	560
1001-1250	290	420	4001-5000	355	580
			5000+	360	590

SAs may select the sample using statistical sampling software. Sampling software is practical when SFAs have the capability of importing the names of students from the point of service benefit issuance document to the SA in a format specified by the SA.

Alternatively, the SA may select a statistically valid sample of students manually.

Using Sampling Software

If the SA elects to use sampling software, the SA format should reflect the following parameters:

- One consolidated list of all students eligible for free and reduced-price meals at all schools within the SFA;
- Student names may be provided in any order (i.e., alphabetically/by student number/by school), but there can be no duplication of students on the list for any reason;
- School name should be a field next to the student name within the spreadsheet (to help identify/locate certification documentation for the selected students); and
- No headers separating schools or benefit category (no headings at all other than first line).

Manually Selecting the Sample

FNS has developed a *Statistical Sample Generator* which allows the SA to input the total number of students certified for free or reduced price benefits. The Generator will automatically calculate the sample size, the sample interval, and the random starting point for each of two sets of confidence levels (95 % and 99%).

SAs may calculate the sample size, the sample interval and the random starting point manually following the instructions below. Using the Sample Size Chart (above) and the following procedures:

A. Total # of students certified for benefits (Universe)	B. Sample Size (from table above)	C. Sample Interval (A / B)	D. Random Starting Point (First Student)

- A. Enter the total number of students approved for free or reduced-price meal benefits from the point-of-service benefit issuance document in Column A. This is the combined total for all free and reduced-price eligible students at all schools within the SFA.
- B. Use the instructions and Sample Size Chart (above) to determine the sample size that must be obtained and record in Column B.
- C. Divide A. by B. to determine the sampling interval (C). For determining your sampling interval, round all fractions down to the nearest whole number (e.g., 3.99 = 3). This rounding procedure is used to ensure that the appropriate number of students will be selected.
- D. Denotes the random starting point the SA will use when beginning the selection of students from the point-of-service benefit issuance document(s).

A manual approach to identifying a random starting point follows:

1. Write down, on pieces of paper, the numbers in the sample interval (Column C above), beginning with the number one (1)
2. Put the pieces of paper in a container and mix the container
3. Select one piece of paper; the number on the paper represents the random starting point; record the selected number in Column D of the chart above
4. Use the sample interval from Column C above and select subsequent students. (e.g., if the start point (or Column D) is five (5) and the interval (or Column C) is ten (10), then begin with the 5th student from the point-of-service benefit issuance document for free and reduced-price eligibility students and select subsequent students at intervals of ten (10): (e.g., 5, 15, 25, 35...). Once all of the students have been selected, compare the number of students selected to the appropriate sample size using the Sample Size Chart (above or Column B) to ensure the required number of students was selected in the sample.

Step 3: Obtaining Certification Documents

Once the names of the students subject to review have been identified, the SA must obtain the following documents from the SFA for each student under review*:

- The certification document (i.e., household application or direct certification) to determine whether or not the document was correctly certified; and
- Any verification conducted for the selected student, if applicable, including whether or not the verification was properly conducted.

The SA will use this documentation to complete the On-site Review Procedures described in Step 2 below.

*The SA may review 100% or a statistically valid sample of free and reduced price certifications.

On-site Review Procedures

The on-site portion of the Administrative Review consists of the SA conducting interviews with SFA staff, reviewing certification and verification documents, and determining if the SFA is in compliance with all certification and benefit issuance requirements.

On-site Assessment Tool

The *On-site Assessment Tool* includes questions pertinent to this Module, see Questions 123-142 (Certification and Benefit Issuance).

On-site Procedures

The SA must follow the steps below:

Step 1: Validating the SFA's Procedures using the Off-site Assessment Tool

The SA must determine if the information in the *Off-site Assessment Tool* is current and accurately represents the SFA's practices for issuing benefits. The SA must also determine whether the SFA-provided information is satisfactory and reflects current practice.

To assess the SFA's **procedures for processing applications**, the SA must ensure the SFA is in compliance with 7 CFR 245.6(a). Areas of review include, but are not limited to the following areas: the use of proper income conversion factors and income guidelines; the carryover of prior year eligibility; compliance with required timeframes for household notification(s); compliance with the independent review of applications, if applicable; etc.

To assess the SFA's **procedures for direct certification**, the SA must ensure the SFA is in compliance with 7 CFR 245.6(b). Areas of review include, but are not limited to the following areas: whether the direct certification list came from the appropriate agency and contained all required elements; and whether direct certification was performed the appropriate number of times.

Additional information on household applications and direct certification is found in the *Eligibility Manual for School Meals*.

Step 2: Validating Student Certifications

Household Applications

For each student selected for review, the SA must examine the following:

- The eligibility determination by reviewing the free and reduced-price application, or other categorical eligibility determinations to ensure the SFA certification was completed properly.
- Documentation to establish whether households were notified of benefit eligibility, in accordance with regulatory timeframes.
- Any verification activity related to the selected student to ensure the verification was properly conducted and any changes in the eligibility status were properly made.

Note: The SA should make note of any student verified since this student verification may count towards the sample of verified applications required under the Module: *Verification*.

- Documentation to establish whether households were notified of changes in eligibility status due to verification within required timeframes.

All errors relating to the students selected for review are recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-2. Any other students listed on an erroneous household application should be listed on the SFA-3, *Other Eligibility Certification and Benefit Issuance Errors Worksheet*. These errors include:

- *Errors Due to Missing Information on Free and Reduced Price Applications* — Missing:
 - Signature of an adult household member
 - Last four digits of a required social security number (Note: Applications which indicate “none” for the adult household member are not considered an error)
 - Income amount, income source, or income frequency (Note: Applications which indicate “no income” or the number “zero” for any household members are not considered an error)

- Names of all household members including children who are requesting benefits
- SNAP, TANF, or FDPIR case number for each child, as applicable.
- *Errors Due to Verification* — the SFA incorrectly changed eligibility status as a result of verification.

Direct Certifications

For each student reviewed, the SA must ensure the student is on the direct certification list. Direct certification errors are recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-2.

Step 3: Recording Eligibility Status

For each student reviewed, the SA must record the student's correct eligibility status, taking into consideration the certification and benefit issuance findings. The correct eligibility status is recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-2.

In addition, the SA will record both SFA count of reviewed students and SA count of reviewed students on the SFA-2.

Note: Reviewed students are students selected for review. For example, the SA selected a sample of 450 student certifications for review. The SFA's determinations for those 450 students were 377 free and 73 reduced price eligibles. The SAs validated determinations of the sample of students were 371 free and 72 reduced price eligible. These are the numbers that should be entered on the SFA-2, SFA-1, and Fiscal Workbook.

Step 4: Validating the Benefit Issuance Document

For each student selected for review, the SA must validate the point-of-service benefit issuance document to ensure the student's eligibility was properly transferred and updated, if needed, to the document.

- *Errors Resulting from Benefit Issuance* — Applications that contain all required information, but have been approved for the wrong benefit level on the benefit issuance document, are miscategorized. For example,
 - Student incorrectly listed on the benefit issuance document; or
 - Student on the benefit issuance document without a current application or direct certification documentation on file.
- Errors resulting from miscategorizations can lead to:
 - Meals claimed free that should be claimed at the reduced-price
 - Meals claimed free that should be paid
 - Meals claimed reduced-price that should be claimed free
 - Meals claimed reduced-price that should be paid

All errors relating to the students selected for review are recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-2. Any other students listed on an erroneous household application should be listed on the SFA-3, *Other Eligibility Certification and Benefit Issuance Errors Worksheet*.

SAs must also determine if free and reduced price benefits are provided to students in a manner that assures confidentiality and prevents overt identification during meal service or at any other time, in accordance with FNS Memorandum SP 45-2012, *Preventing Overt Identification of Children Certified for Free or Reduced Price School Meals*. Any problems should be recorded in the comment section for Question 136 on the *On-site Assessment Tool*.

Step 5: Reviewing Denied Applications

The SA must review at least 10 denied applications on file for all schools under the SFA. The SA must determine whether denied households were notified of:

- Reason for denial of benefits
- Right to appeal

- Instructions on how to appeal
- Statement that family may re-apply for free and reduced price benefits at any time during the school year

Denied applications found to be denied incorrectly must be record on *Other Eligibility Certification and Benefit Issuance Errors Worksheet*, SFA-3. These errors will not be included when calculating fiscal action. If 20 percent or more of the reviewed denied applications are denied incorrectly, as part of the required corrective action, the SFA must re-examine their initial determination of ALL denied applications. The results of the re-examination must be provided to the SA in the SFA's response of documented corrective action. For any benefit issuance changes in the SFA's re-examination of denied applications, the SFA must provide the SA by the deadline in the corrective action plan:

- the student's name;
- the updated benefit issuance category (i.e., free, reduced-price); and
- the date corrective action was applied.

Special Considerations

Under certain circumstances, the SA may follow a different review process for this Module than is detailed above. These variations include:

- *Residential Child Care Institutions (RCCIs)*

Depending on the circumstances, an RCCI may have children residing or not residing at their institution.

For children residing in RCCIs, the institution may document the children's eligibility using free and reduced price applications or by completing an eligibility documentation sheet for all children residing in the RCCI. The SA must examine the RCCI's documentation sheet or

other certification documentation (e.g., household application). If a documentation sheet is used, it must include information indicating the child's name and personal income received by the child, the child's date of birth, date of admission and date of release. The documentation sheet must be signed by an appropriate official and provide the official's title and contact information.

Children attending but not residing (i.e., day students) in an RCCI are considered members of their household and their eligibility is determined using a household application or through direct certification. For RCCI's with day students, the SA must follow the review process for this Module. Reference the *Eligibility Manual for School Meals* for more information.

- *Provision 2, Provision 3 and Community Eligibility Provision*

SAs must follow the Administrative Review procedures specified in this Module when reviewing SFAs with Provision 2 or Provision 3 schools during their base year.

Special Administrative Review procedures are used when conducting an Administrative Review of SFAs with Provision 2 or Provision 3 schools in non-base years and when conducting an Administrative Review of schools participating in the Community Eligibility Provision.

SAs should refer to the Addendum: *Special Assistance Alternatives* for additional information.

Technical Assistance/Corrective Action

The SA must require corrective action and provide technical assistance for all benefit issuance areas resulting in errors, as described above. Corrective action must be applied system-wide for benefit issuance and certification error, including at non-reviewed schools, if applicable.

The SA is encouraged to discuss and encourage the SFA's participation in annual training, provide the SFA with examples of different benefit issuance methods and point-of-service systems, and work with the SFA to set up a system to track changes on the benefit issuance document(s), as appropriate.

Any technical assistance provided to the SFA must be documented in the comments section of the *On-site Assessment Tool*.

Fiscal Action

Fiscal action is taken for errors resulting from the following:

- Applications with missing information — these applications are considered incomplete
- Miscategorized certifications
- Benefit issuance errors
- Failure to update a change in status resulting from verification

Generally, if the SA receives documentation of corrective action within specified timeframes, the SA may limit fiscal action from the point corrective action occurs back through the beginning of the review period (7 CFR 210.18 (g)(2)). However, in the case of applications missing the last four digits of the social security number (or an indication there is "none") or missing the signature of an adult household member, the SA is not required to take fiscal action if corrective action occurs within the specified timeframe. If these types of errors are not corrected within the specified timeframe, then the SA must take fiscal action for those errors.

Fiscal action is based on certification and benefit issuance review of students selected for review in reviewed schools. Based on this review of applications and any errors identified, an adjustment factor is calculated and applied to the reviewed sites only. Fiscal action is not required for benefit

issuance and certification errors occurring in non-reviewed schools. In these cases, the SA must require corrective action.

The *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-2 captures the errors and identifies the correct eligibility status for each reviewed student. Any other students listed on an erroneous household application should be listed on the SFA-3, *Other Eligibility Certification and Benefit Issuance Errors Worksheet*.

Information related to fiscal action is found in Section VIII: *Fiscal Action*, of this Guidance.

Module: Verification

Intent/Scope of Monitoring

Verification is a process used by SFAs to confirm selected students' eligibility for free and reduced-price meals in the NSLP and SBP. Verification is only required for a sample of students whose eligibility is certified using a household application submitted with income information or a case number for the Supplemental Nutrition Assistance Program (SNAP), Food Distribution Program on Indian Reservations (FDPIR), or Temporary Assistance for Needy Families (TANF). Students certified for free meal benefits through direct certification (conducted with an eligible Assistance Program, officials, or agencies that provide documented Other Source Categorical Eligibility) are not subject to verification.

The goal of this Module is to ensure the SFA properly implements the verification process as part of the free and reduced-price eligibility requirements. The SA must determine if the SFA is implementing the verification process in accordance with Federal regulations (7 CFR 245.6a).

This Module is considered a General Area of Review. However, the scope of review is closely aligned with benefit issuance and, for this reason, is included in the scope of review for Section II, *Meal Access and Reimbursement*.

Review Procedures

Pre-visit Review Procedures

The Verification section of the *Off-site Assessment Tool* is completed prior to the on-site portion of the Administrative Review. The information from the *Off-site Assessment Tool* will assist the

SA in identifying the SFA's verification process, as well as identifying any potential areas of noncompliance or technical assistance needs in advance of the on-site portion of the Administrative Review.

Off-site Assessment Tool

The *Off-site Assessment Tool* has a series of questions related to verification. Questions 200-205 explore whether the SFA met all verification requirements, e.g., the SFA's submission of the *Verification Summary Report*, FNS-742, and notification of verification procedures, etc.

Note: Verification materials must be at the SFA's central office for the on-site portion of the review for further examination of the materials.

Analysis of Off-site Assessment Tool

The SA must examine the *Off-site Assessment Tool* to ensure that the SFA is conducting verification in-line with requirements outlined in 7 CFR 245.6a. The *Off-site Assessment Tool* provides a complete overview of the SFA's verification process, and the SA should be able to conclude that the SFA:

- Selected the correct verification sample size
- Applied verification for cause appropriately, if applicable
- Completed the *Verification Summary Report*, FNS-742, correctly and timely
- Appropriately identified a verification official and confirming official, if applicable
- Meets FNS regulatory requirements
- Participated in verification training
- If applicable, has an electronic system that accurately pulls the correct verification sample size and application type

On-site Review Procedures

The on-site portion of the Administrative Review will consist of SA interviewing SFA staff and determining whether the SFA is in compliance with all verification requirements. It is essential

that through observation and interviews with SFA staff, the SA is able to validate the information gathered in the *Off-site Assessment Tool*.

On-site Assessment Tool

The *On-site Assessment Tool* includes Questions 206-215, which focus on the SFA's *Verification Summary Report*, FNS-742, data submission and the SFA's verification procedures, including confirmation reviews, notification requirements, procedures to effect changes to eligibility status, etc.

On-site Procedures

The SA must follow the steps below:

Step 1: Validating the Off-site Assessment Tool

The SA must validate the information on the *Off-site Assessment Tool*, confirming the information is still current and represents the SFA's practices for verification according to regulations. The SA also must determine the SFA-provided information is satisfactory. If the SA chooses not to complete the *Off-site Assessment Tool* prior to the on-site portion of the Administrative Review, the SA must obtain the information from the SFA while on-site.

Step 2: Determining Compliance with Verification Requirements

The SA must request that the SFA gather all verified applications for the current school year into one central location for review by the SA. If the SFA has an electronic system for collecting verification, the SA must obtain either access to the system or printed copies of all verification materials.

Based on the information compiled during the *Off-site Assessment Tool* and interviews with the appropriate staff, the SA must confirm whether the SFA:

- Verified the same number of applications as reported on the most recent *Verification Summary Report*, FNS-742, as confirmed on-site

- Verified the required number of free and reduced-price applications, i.e., 3% or 1.5% of the approved applications on file as of October 1 annually, as required by 7 CFR 245.6a
- Selected the correct number of applications based on the calculated sample size
- Replaced no more than five (5) percent of the applications selected and confirmed for verification based on knowledge that the household would be unable to satisfactorily respond to the verification request. Any application removed from the verification sample size must be replaced with another approved application selected on the same basis (i.e., an error-prone application must be substituted for a withdrawn error-prone application).
- Documented application confirmation reviews
- Conducted direct verification accurately and in compliance with SA requirements, if applicable
- Ensured income information submitted by households was appropriate, complete and sufficient to verify reported household income
- Verified income calculations were correctly made based on documentation from the household for verification
- Conducted follow-up attempts with unresponsive households
- Sent appropriate notification letters to households
- Followed required timeframes for changes in student benefit status, if applicable
- Provided the household rights to appeal if a change in status, and followed requirements if the household filed an appeal due to verification
- Submitted the verification results information via the *Verification Summary Report*, FNS-742, to the SA accurately based on documents examined

The verification process has specific required timeframes that must be followed by the SFA in order to be in compliance with FNS regulations. The verification timeframes may require the SA to review the previous school year's verification materials in order to assess the SFA's verification process for the Administrative Review. For example, if a SA chooses to conduct an Administrative Review during the month of October, the SFA's verification process will not yet

be complete for the current school year and the SA must review the previous school year's verification process.

Below is a chart that provides details on how the SA must review verification if the verification process is either not complete or partially complete at the time of the administrative review.

Review is Scheduled For... <i>(All timeframes should be adjusted to State timelines and reporting requirements)</i>	How to Complete Verification Review
<i>A timeframe prior to the completion of verification and the submission of the Verification Summary Report (FNS 742) for the current school year.</i>	Use previous year's Verification Summary Report (FNS 742) Use previous year's verified applications Verified students selected in the Benefit Issuance sample will not count toward the verification review requirements (i.e., 10% sample of verified applications).
<i>A timeframe that falls before the Verification Summary Report (FNS 742) for the current school year has been submitted to the State Agency but after verification has been completed by the SFA.</i>	Use previous year's Verification Summary Report (FNS 742) Count verified applications from previous school year to validate previous year's Verification Summary Report (FNS 742) Use current year verified applications for review. Verified students selected in the Benefit Issuance sample can count toward the verification review requirements. (i.e., 10% sample of verified applications).
<i>A timeframe after the current school year Verification Summary Report (FNS 742) has been submitted.</i>	Use current school year's Verification (i.e., 10% sample of verified applications) Summary Report (FNS 742) Use current year verified applications for review. Verified students selected in the Benefit Issuance sample can count toward the verification review requirements (i.e., 10% sample of verified applications).

Step 3: Selecting Verified Applications for Additional Evaluation

The SA must randomly select 10 percent of the verified applications. (Exceptions to the 10 percent figure: To ensure a sufficient number of applications are selected for review, the sample will contain a minimum of 3 verified applications, if available. To ensure the SA does not spend an inordinate amount of time on this portion of the review, the sample will contain a

maximum of 30 verified applications.) This sample of verified applications must be examined to ensure that the entire verification process was completed according to FNS requirements.

In order to select a sample of verified applications, the SA must use the following guidelines:

- If the total number of verified applications on file at the SFA is less than 3 applications, then the SA must review all available verified applications.
- “A minimum 3 applications” means — if the total number of verified applications is 30 or less, the SA must randomly select 3 applications to review.
 - For example, if the SFA has a total of 5 verified applications, the SA must randomly select 3 verified applications.
- “A maximum of 30 applications” means — if the total number of verified applications exceeds 300, the SA will randomly select 30 verified applications to review.
 - For example, if the SFA has a total of 350 verified application, the SA would randomly select 30 verified applications to review; not the full 10% (or 35) of verified applications.

The SA must use the chart below to determine the appropriate number of verified applications to select for review at the SFA:

Number of Verified Applications on File at the SFA:	Number of Verified Applications Required for Review*
1-2	All
3-30	3 applications
31-300	10% of applications
301 or more	30 applications
*Use normal rounding procedures to the nearest whole number to determine the required number of verified applications to review.	

Using the randomly selected verified applications, the SA must verify compliance with the following:

- Did the SFA appropriately conduct confirmation reviews or does the SFA have a software program appropriate for fulfilling this requirement?
- Did the SFA's verification notification letter meet all Federal requirements?
- Did the SFA appropriately attempt to follow-up with unresponsive households selected for verification?
- Did the SFA's notice of adverse action contain all required information?
- Were changes in eligibility status due to verification made within prescribed timeframes?
- Did the SFA complete the verification process by November 15 or request and receive an extension until December 15 from the SA?
- Were applications selected for verification verified correctly, and was the resulting eligibility status determined accurately?

If the SA determines that the SFA accurately completed the verification process, the verification portion of the review is complete. If the SA finds errors, the SA must provide technical assistance and require corrective action for those findings. If the SA finds errors in the verification sample and cannot be sure that eligibility determinations were made appropriately, the SA may choose to expand the sample of verified applications.

Note: If the sample of students selected for review from the Module: *Certification and Benefit Issuance* contains a student(s) with a verified household application on file, the review of the verified application will contribute toward the 10 percent sample of verified applications under this Module. Refer to the Module: *Certification and Benefit Issuance* for more information.

Step 4: Recording Findings

All review findings are recorded on Questions 206-215 of the *On-site Assessment Tool* and the *Other Eligibility Certification and Benefit Issuance Errors Worksheet, SFA-3*.

Note: Do not record errors for students who were selected for verification review under Module: *Certification and Benefit Issuance* on the SFA-3. These errors must be recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-2.

Technical Assistance/Corrective Action

SAs must require corrective action and provide technical assistance for areas of verification resulting in errors.

Identified errors related to issues in the SFA's verification process cited during the pre-visit or on-site portions of the Administrative Review will require the SFA to take corrective action.

Corrective actions may include:

- Changing the benefit status of students on any applications verified under this Module which results in a change in application status. The SFA must notify the household and follow all required procedures.
- Attending mandatory SA verification training
- Developing a technical assistance check-in plan with the SA annually to improve verification comprehension through email/phone discussions for relevant verification deadlines.

Any technical assistance provided to the SFA must be recorded in the comments section of the *On-site Assessment Tool*. During the process of evaluating the SFA's compliance with verification requirements, some considerations for technical assistance may include:

- Assisting the SFA in understanding how to select the correct verification sample size
- Sending the SFA reminders about when verification reports are due to the SA
- Providing new SFA staff with additional support and training on verification
- Discussing and encouraging SFA participation in verification training offered by the SA

If an SA finds that an SFA systemically has difficulty with verification reporting, the SA must explore why the problem exists and consider requiring mandatory participation in SA verification training.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages SAs to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations, until such violations are adequately addressed. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Note: While fiscal action is not required as a result of the Verification Module, fiscal action is applied for those students reviewed under the Module: *Certification and Benefit Issuance* in cases where certification or changes in benefit status was in error as a result of verification. Refer to the Module: *Certification and Benefit Issuance*, of this Section for more information.

Module: Meal Counting and Claiming

Intent/Scope of Monitoring

The SFA must have a meal counting and claiming system that accurately counts, records, consolidates and reports the number of reimbursable meals claimed, by category (i.e., free, reduced-price or paid). The meal counting and claiming process must include a mechanism, whether manual or electronic, for counting meals and consolidating meal totals at each school within the SFA.

The mechanism must include an internal control system that validates the total meal counts prior to the submission of the Claim for Reimbursement to the SA.

The goal for monitoring meal counting and claiming is to assure the processes the SFA uses to count, consolidate and claim meals for the SBP and NSLP are in compliance with Program requirements, for example:

- Counting and claiming system(s) in use for the SBP and NSLP provide accurate counts of reimbursable meals, by category
- Reimbursable meals are correctly counted, consolidated and recorded at each school and at the SFA
- Counting and claiming system yields an accurate Claim for Reimbursement

Performance Standard 1

All free, reduced-price and paid meals claimed for reimbursement are served only to children eligible for free, reduced-price and paid meals, respectively; **and are counted, recorded, consolidated and reported through a system which consistently yields correct claims.**

Review Procedures

This Module examines the process the SFA uses to count, consolidate and report a claim for reimbursement of meals provided to eligible students. This Module will focus on the day of review and review period at the school and SFA levels for the SBP and NSLP.

Pre-visit Review Procedures

The *Off-site Assessment Tool* will help the SA identify the steps in the SFA's meal counting and claiming process and identify any potential areas of noncompliance or technical assistance needs prior to the on-site portion of the Administrative Review.

Off-site Assessment Tool

The *Off-site Assessment Tool* has a series of questions related to meal counting and claiming. Questions 300-312 address standard meal counting and claiming procedures, including internal controls, training, etc.

Analysis of Off-site Assessment Tool and Supporting Documentation

The *Off-site Assessment Tool* will provide the SA with an understanding of how the SFA counts and claims meals on a daily basis. The information gathered in the *Off-site Assessment Tool* for meal counting and claiming will provide the SA with an understanding of the SFA's:

- Meal counting and claiming system and whether their system is electronic or manual
- Point of Service system
- Back-up system for counting and claiming reimbursable meals served
- Training provided to staff on meal counting and claiming procedures
- Standard operating procedures for meal counting and claiming system
- Procedures for consolidation of the meal counts for the Claim for Reimbursement

On-site Review Procedures

The SA's on-site portion of the Administrative Review consists of conducting interviews with SFA staff, observing meal service, examining documentation that supports the claim for reimbursement (including internal edit checks), and determining if the school and SFA procedures yield an accurate claim for reimbursement and are in compliance with all Federal meal counting and claiming requirements.

The on-site portion of the Administrative Review examines both day of review and review period at the school and SFA levels for the SBP and NSLP.

On-site Assessment Tool

Questions 313-316 (SFA level), 317-321 (school level, day of review), and 322-325 (school level, review period) in the *On-site Assessment Tool* assess the validity of the reviewed school(s) and the SFA's meal counts for the review period and day of review.

On-site Procedures

The SA must follow the steps below:

Step 1: Validating the Off-site Assessment Tool

The SA must validate that the information on the *Off-site Assessment Tool* is current and represents the SFA's practices for implementing meal counting and claiming requirements according to regulations. The SA must also determine if the SFA's responses were satisfactory.

If the SA does not complete the *Off-site Assessment Tool* prior to the on-site portion of the Administrative Review, the SA must obtain the information from the SFA while on-site.

Step 2: Validating the Counting and Claiming Process

The SA must review the procedures for SBP and NSLP at the school and SFA level for both the day of review and the review period.

For the **school level** review, the SA must:

- interview staff to determine if the meal counting, consolidation and claiming procedures at the school level reflect the SFA's procedures (this interview should preferably occur before meal service begins so SA is aware of procedures while observing the meal service)
- observe meal service at the point-of-service to ensure the counting system yields an accurate count of reimbursable meals on the day of review and whether the meal counting system prevents overt identification of students receiving free and reduced price benefits.
- review the meal count documentation on the day of review to ensure the meal counts are counted, consolidated and recorded for SFA's use and yield an accurate result
- review the meal counts for the review period to ensure meal counts yield an accurate result, are comparable to the day of review meal counts, and do not exceed the number of eligible students by category (i.e., free, reduced-priced and paid)

For the **SFA level** review, the SA must:

- interview staff to determine if the meal consolidating and claiming procedure reflect the information gathered from the *Off-site Assessment Tool* and meets FNS regulations
- review the meal counts for the review period to determine if the meal counts from each school within the SFA were consolidated and claimed correctly according to FNS regulations

The SA may accept documented corrective action to address erroneous practices during the on-site portion of the Administrative Review, or the documented corrective action may be

submitted, as described below. All meal disallowances identified during the on-site portion of the review must be recorded for fiscal action regardless of when corrective action occurs.

Any findings to meal counting and claiming are recorded on the *On-site Assessment Tool*. Errors are also recorded on *School Data and Meal Pattern Error*, Form S-1, *Fiscal Action Workbook*, Form FA-1, FA-2, FA-3 and the *Other Meal Claim Errors*, Form S-2, as necessary.

If errors exist on the day of review and/or the review period, the SA must determine if the errors were a result of a non-systemic or systemic counting and claiming process either at the school and/or SFA level. The SA must document all areas identified that support the conclusion of a non-systemic or systemic meal counting finding. Detailed definitions of “non-systemic” and “systemic” findings are provided below:

- **Non-systemic:** If the contributing factors are unusual, not part of the normal operating procedure, and the system does not require changes to achieve accurate results, then the error is non-systemic. An example of a non-systemic counting error is when the cashier punches the wrong button. Additionally, if it is determined by the SA that an error occurred because the cashier was intimidated by the review process, the error is non-systemic. Document all findings that support the conclusion of a non-systemic meal counting problem in the comments section.
- **Systemic:** If any of the contributing factors are built into the process and would likely recur if the process is not changed, the error is systemic. The SA must determine the scope of the error by deciding if the same meal count procedures were in place for the review period and/or previous periods. Document all findings that support the conclusion of a systemic meal counting problem in the comments section.

Step 3: Recording Errors

Meal counting and claiming errors are recorded on the *On-site Assessment Tool, School Data and Meal Pattern Error*, Form S-1, the *Fiscal Action Workbook*, Form FA-1, FA-2, FA-3 and the *Other Meal Claim Errors*, Form S-2, as described below in Section VIII: *Fiscal Action*.

Technical Assistance/Corrective Action

Technical assistance and corrective action are required for all meal counting, claiming, and reimbursement areas resulting in errors. Corrective action must be applied to the SFA and all schools, as appropriate, to ensure that previously deficient practices and procedures are revised system-wide. Needed corrective action is recorded in the comments section of the *On-site Assessment Tool*.

Corrective action may result if:

- The SFA's system does not properly count students' eligibility by category
- The SFA does not have a back-up system for counting and claiming, or the back-up system cannot render accurate meal counts for eligible meals
- The SFA's system does not have appropriate edit checks
- The SFA's policies for incomplete meals, second meals, visiting student meals, adult and non-student meals, student worker meals, a la carte items, field trip meals, or pre-paid meals are not in-line with FNS policy and regulations or require additional information to be appropriate
- The SFA's alternate point-of-service does not yield accurate counts
- The cashiers are not appropriately trained

The SA must determine the appropriate technical assistance to provide to the SFA if any of the issues listed above arises. Other situations may also require the SA to provide technical assistance in order to ensure the SFA remains in compliance with regulations. The SA must

document any technical assistance provided to the SFA at any point during the Administrative Review. Technical assistance is recorded in the comments section of the *On-site Assessment Tool*.

The SA must require corrective action and document all identified findings.

Fiscal Action

Fiscal action must be assessed for inaccurate meal counting and claiming for the day of review or review period occurring at the school and/or SFA levels. For additional information on fiscal action, see Section VIII, *Fiscal Action*, of this Guidance.

The SFA is allowed to correct any errors identified by the SA on the day of review. However, any error identified and any SA technical assistance on the day of review is recorded on the *On-site Assessment Tool*. The SA must calculate fiscal action for any uncorrected errors. The meals requiring fiscal action for the day of review at the school level are identified in Questions 318, 320, and 321. Meals in error are recorded on the S-1, Lines 12 and 15 respectively.

Meal Count Combining Errors

Meal count combining errors are mathematical mistakes that result in the school reporting incorrect meal counts to the SFA. Fiscal action is taken on the difference between the incorrect and the correct meal counts. The meals requiring fiscal action for the day of review and review period at the school level are identified in Questions 320 and 325 of the *On-site Assessment Tool*. Meals in error are recorded on the S-1, Lines 15 and 19, respectively. Other claim period information is recorded on the *Other Meal Claim Errors*, Form S-2.

Counting Errors

Three types of meal counting errors may occur:

- Meal counts do not equal the number of reimbursable meals served to eligible children;

- Meal counts exceed the number of eligible students by category (i.e., free, reduced-price or paid); or
- Second and/or other ineligible meals (e.g., adult meals or a la carte) were counted.

Second/Other Ineligible Meals Counted

Fiscal action is taken on all meals that were counted as reimbursable meals, but were ineligible for reimbursement, such as second meals, adult meals, etc. This error does not include meals which failed to contain the minimum number of required menu item/food item as described in Section III: *Nutritional Quality and Meal Pattern*. **Note:** SFAs may not claim second meals in the NSLP; however, the SFA may claim second meals in the SBP as long as the SFA does not plan and produce meals with the intention of claiming second meals.

Special Considerations

Under certain circumstances, the SA may follow a different review process for this Module than is detailed herein. These variations may include:

Provision 2, Provision 3, and Community Eligibility Provision

The Administrative Review procedures for schools participating in Provision 2, Provision 3, and the Community Eligibility Provision are discussed in the Addendum: *Special Assistance Alternatives*.

Section III: Nutritional Quality and Meal Pattern

Modules contained within this Section include:

- Meal Components and Quantities
- Offer versus Serve
- Dietary Specifications and Nutrient Analysis

Module: Meal Components and Quantities

SFAs operating the NSLP and/or the SBP must follow meal pattern requirements for each age/grade group within all meal service lines. (7 CFR 210.10 and 220.8)

The meal pattern is the foundation of federal school nutrition programs and SA staff must ensure SFAs are offering reimbursable meals at breakfast and lunch according to the regulations. SA staff must ensure that all schools operating the NSLP and/or the SBP prepare, offer, and serve meals to students that meet the meal pattern requirements for the appropriate age/grade groups on all reimbursable meal service lines.

Performance Standard 2

Reimbursable lunches must meet the meal requirements in 210.10, as applicable to the age/grade group reviewed. Reimbursable breakfasts must meet the meal requirements in 220.8 and 220.23, as applicable to the age/grade group reviewed.

Additionally, SA staff must ensure that every reimbursable meal service line meets the daily and weekly meal pattern requirements for the appropriate age/grade group served. This includes verifying how an SFA is meeting the meal pattern requirements if it is serving multiple age/grade groups in a single location, and whether children are utilizing self-service stations.

Intent/Scope of Monitoring

The scope of the review for this Module is to establish that meals claimed for reimbursement contain the appropriate meal components and quantities for the SBP and the NSLP. This means the SA must verify compliance through:

- visual observation of meal service lines on the day of review, and

- an evaluation of production records, menus, recipes, food receipts, and any other documentation for a school week during the review period that shows meals contained the required components/quantities.

The SA must conduct the documentation review of meal components/quantities for each school selected for the Administrative Review and may do so either pre-visit or during the on-site visit.

Review Procedures

Pre-visit Review Procedures

If the SA determines to review the documentation off-site, as recommended by FNS, the SA must obtain documentation for the reviewed schools prior to the on-site review. For more information on the documentation review, refer to “*Reviewing Documentation*” below.

Supporting Documentation

SAs must obtain documentation from the SFA, including menus, production records, and related materials (e.g., CN Labels, standardized recipes) for the school week under review.

Note: Other modules within this guidance document include questions on the *Off-site Assessment Tool*, but this module does not, as the information gathered to assess compliance is obtained from reviewing the documentation outlined above.

Reviewing Documentation

The SA’s review of documentation must assess the SFA’s compliance with meal component and food quantity requirements for each age/grade group being served. This documentation review is in addition to the meal observation procedures conducted on the day of review, see *On-site Review Procedures*.

Documentation includes menus and production records and other related materials for a school week during the most recent month for which a Claim for Reimbursement was submitted. When conducting a review of documentation for a school week, the minimum number of school days in the week reviewed is three (3), and the maximum is seven (7). All must be consecutive days. The SA may examine any food crediting documentation including but not limited to food labels, product formulation statements, CN labels, and bid documentation to ensure meal pattern compliance.

The SA must obtain meal component compliance documentation for each menu type and age/grade group in each reviewed school. Therefore, if an SFA uses one menu type per age/grade group for all schools, then the SA would only need to review the one menu type. Documentation must demonstrate how meal components offered contribute to meal pattern requirements for the selected week of review.

The SA must evaluate production records to ensure the following:

- Records include all information necessary to support the claiming of reimbursable meals and any additional SA requirements (i.e., all menu items are listed and all required meal components are offered)
- Records are used for proper planning (e.g., evaluate for consumption and leftovers)
- Records document food prepared is creditable for the total number of portions served, including adult meals and a la carte sales from the reimbursable line
- Records document required weekly quantity requirements for grains, meat/meat alternates, vegetables, fruit and milk. The SA should identify if seconds are offered regularly and made available for all students. If so, seconds must be appropriately counted towards the daily and weekly quantity requirement(s). For example, if a roll is offered in 1 oz. eq. portion size, but consistently planned and offered as a second, it should count twice (2 oz. eq. for the day) toward the weekly grain requirements;

- Records align with standardized recipes (e.g., if chicken salad sandwich is on the menu but mayonnaise is not listed on the product records, the SA may examine standardized recipes for additional information)

If the review of production records reveals problems with meal components or quantities, the SA is required to expand the review of production records to, at a minimum, the entire review period.

The SA must verify that milk, whole grain-rich and vegetable sub-group requirements are met.

On-site Review Procedures

The SA must conduct an on-site assessment of the SFA's meal service to determine whether meals claimed for reimbursement contain the required components and quantities. The SA must:

- conduct a visual observation of meal service lines on the day of review
- conduct a document review for the school week during the most recent month for which a claim was submitted, if the SA did not conduct the document review off-site

SAs may also conduct a document review for meals served on the day of review, at their discretion.

On-site Assessment Tool

Questions 603-605 on the *On-site Assessment Tool* focus on whether meals contain the required components and quantities.

Supporting Documentation

If conducting the documentation review on-site, the SA must obtain and examine menus, production records, and related materials (e.g., CN Labels, standardized recipes) for the school week under review.

Step 1: Reviewing Documentation (if not conducted off-site)

Refer to “*Reviewing Documentation*” under Off-site Review Procedures above.

Step 2: Observing the Meal Service

Prior to the beginning of the meal service, the SA will ensure, through on-site observation and a review of documentation, that all reimbursable meal service lines offer all of the required meal components and food quantities for the age/grade groups being served. If multiple age/grade groups are being served, the SA must determine how the meal service is structured to meet meal pattern requirements for each age/grade group. Findings are recorded in the comments section of the *On-site Assessment Tool*.

To the extent possible, the SA must also observe the majority of meal preparation to ensure that standardized recipes are followed (e.g., ingredients are added in amounts specified in the recipe, measurements are being taken appropriately).

During the meal service, the SA must observe a significant number of program meals at the point-of-service system on every reimbursable meal service line. SAs should observe 5 to 25 percent of meals served on each reimbursable meal service line. SAs must observe meals at the beginning, middle and end of the meal service.

During observation, the SA must determine whether the meals selected by students contain the meal components and food quantities required for the age/grade group being served as the students exit the meal service line at the point-of-service. If using service stations, the SA must verify that students have access to all required meal components, offered in the appropriate food quantities, for the appropriate age/grade groups. When reviewing self-service stations, the SA should observe students as they move through the self-service stations and ensure that they demonstrate knowledge of how to access all required meal components in the meal

service area. For the purpose of this Module, if multiple lines are serving the same menu, only one line must be validated. However, the SA should spot check all lines for consistency.

When observing meals served in alternate locations (e.g., classroom, in-school-suspension), the SA should select an appropriate number of meals to observe to sufficiently assess the program meals served. To determine the sufficient number of meals to observe, the SA must consider several factors, such as the number of alternate meal service areas; number of SA reviewers; number of meals served; and length of time needed to properly observe the meal service. If an SA observes egregious violations at one alternative location, the SA must review additional alternate locations.

If the SA identifies missing meal components or inadequate quantities prior to the beginning of the meal service, the SA should inform the SFA staff of the violation and provide an opportunity to make corrections. The priority is always to ensure students receive a nutritionally-balanced, reimbursable meal. Even if corrected prior to meal service, the SA must document the problem in the comments section of the *On-Site Assessment Tool*. The SA should report the violation at the exit conference and list it in the report to the SFA.

Milk Requirements

The SA must ensure that at least two choices of fluid milk from the following list are offered throughout the meal service on all reimbursable meal service lines: flavored or unflavored fat-free milk, low-fat (1%) milk, fat-free or low-fat lactose-reduced milk, fat-free or low-fat lactose-free milk, fat-free or low-fat buttermilk, and fat-free or low-fat acidified milk. Students must be allowed to choose milk from at least two milk varieties, even in alternate meal service locations.

If any milk substitutions are made, the SA must ensure they are allowable and required documentation is on file. For additional information, refer to 7 CFR 210.10(g), FNS Instructions 783-7, *Milk Requirement-Child Nutrition Programs* (revised, issued January 24, 1995), and 783-

2, *Meal Substitutions for Medical or Other Special Dietary Reasons* (revision 2, issued October 14, 1994), and FNS memorandum SP 07-2010, *Q and As: Milk Substitutions for Children with Medical or Special Dietary Needs (Nondisabilities)*, issued November 12, 2009.

Vegetable Subgroup and Whole Grain-rich Requirements

The SA must ensure that, over the course of the school week, meals offered to students meet vegetable subgroup and whole grain-rich requirements, specified in 7 CFR 210.10.

Menu Substitutions

If any substitutions are made from the planned menu for the day of review or the school week during the most recent month for which a Claim for Reimbursement was submitted, the SA must validate whether the daily/weekly meal pattern requirements are met. While FNS strongly encourages “like” substitutions, such as spinach for romaine lettuce, meals are compliant if the daily and weekly requirements are met.

Family Style Meal Service

When reviewing a family style meal service, the SA should refer to procedures outlined in FNS memorandum SP-35-2011, *Clarification on the Use of Offer Versus Serve and Family Style Meal Service* (May 17, 2011) and FNS Instruction 783-9, rev 2, *Family Style Meal Service in the Child and Adult Care Food Program*.

Field Trips

The SA should review and evaluate field trip meals served on the day of review or the school week during the most recent month for which a Claim for Reimbursement was submitted for credit. Field trip menus must meet daily and weekly meal component and quantity requirements. Reference FNS Instruction 786-8, *Reimbursement for Off-Site Meal Consumption*.

Step 3: Recording Errors

The SA must record meals missing components and meals that do not meet quantity requirements.

Errors related to missing meal components are recorded on the *On-site Assessment Tool*, Questions 400 – 401 (day of review) and Questions 410 and 412 (review period). The SA must also record the number of meals missing meal components on the *School Data and Meal Pattern Error Form*, S-1, Lines 13 and 17, respectively.

Meals that do not meet quantity requirements are recorded on the *On-site Assessment Tool*, Questions 402 – 405 and 408 (day of review) and Questions 410 – 412 (review period). Meals that contain insufficient quantities of meal components are incomplete. Incomplete meals claimed for reimbursement that will be subject to fiscal action must be recorded on the *School Data and Meal Pattern Error Form* S-1, Lines 14 and 18.

When multiple meal pattern violations are identified for a meal, list all violations in the appropriate comments section. Record meals with multiple violations on the S-1 under only one meal violation category to ensure that fiscal action is applied only once. If multiple violations include meals served missing meal components, record the meal under the missing meal component category. For all other multiple meal pattern error violations, record repeated vegetable sub-group or milk type violations before all other violations. For all other multiple meal pattern violations, use discretion and record the most egregious violation for fiscal action.

Technical Assistance/Corrective Action

The SA must require immediate corrective action for any missing meal components found during an on-site observation for the day of review, or found while examining documentation for the school week during the most recent month for which a Claim for Reimbursement was submitted.

The school must immediately add any missing meal component before any additional meals are claimed for reimbursement on: 1) the day of review, or 2) on future days in which the deficient menu is served. The SA must require corrective action to ensure such violations do not occur in the future.

For missing meal components identified from the review of production records, the SA may allow the SFA to provide documentation (e.g., invoices, food inventory tracking), to demonstrate that the missing meal component was actually offered.

In particular, SAs must require corrective action for violations related to vegetable subgroups, milk types, whole grain-rich foods, and food quantities to help bring the SFA into compliance with the meal pattern requirements. This includes both violations observed on the day of review and those identified from the review of production records.

When production records are missing or incomplete, the SA should provide targeted technical assistance to emphasize the importance of complete and accurate production records. The SA and SFA should ensure that the manager understands the deficiencies and steps that should be taken to make sure that errors are not repeated.

Fiscal Action

Fiscal action is required as described below. For additional information, refer to Section VIII, *Fiscal Action*.

Missing Meal Components

The SA must take fiscal action when a meal component is missing.

Vegetable Subgroups and/or Milk Type Findings

For repeated violations involving vegetable subgroups and/or milk type cited in 7 CFR 210.18 (g) (2), the SA must take fiscal action.

- If an unallowable milk type is offered, meals must be disallowed and/or reclaimed.
- If one vegetable subgroup is not offered over the course of the week reviewed, meals for the entire week must be disallow/reclaimed.
- If a vegetable subgroup is offered in insufficient quantity to meet the minimum weekly requirement, meals must be disallowed/reclaimed for one day that week. The SA has discretion to select which day's meals are disallowed/reclaimed. Additional meals may be disallowed/reclaimed at the SA's discretion.

Quantities and/or Whole Grain-rich Findings

For repeated violations involving food quantities and/or whole grain-rich foods cited in 7 CFR 210.18 (g)(2), the SA has discretion to apply fiscal action.

- The SA has discretion to disallow/reclaim meals containing insufficient quantities of required meal components.
- If whole grain-rich foods are not offered at all, all meals for the entire week may be disallowed/reclaimed.
- If insufficient whole grain-rich foods are offered, the SA may disallow/reclaim meals for one day during the week under review. Additional meals may be disallowed/reclaimed, at SA's discretion.

Repeated Violations

Fiscal action may only be taken for repeated violations if:

- The SA has provided technical assistance
- The SA has previously required and monitored corrective action

The SFA remains noncompliant with the meal requirements established in 7 CFR 210 and 220

Performance-based Certification Funding (6 cents)

In addition to fiscal action described above, the SA must not permit the SFA to earn performance-based cash assistance unless immediate corrective action occurs. Absent immediate corrective action, the SFA will not be eligible for the 6 cents per lunch reimbursement with the beginning of the month following the administrative review and, at State discretion, for the month of review. Performance-based cash assistance may resume beginning in the first full month the school food authority demonstrates to the satisfaction of the State agency that corrective action has taken place. See FNS Memorandum, SP-31-2012, 3rd Revision, *Child Nutrition Reauthorization 2010: Questions and Answers Related to the Certification of Compliance with Meal Requirements for the National School Lunch Program*, (01-22-2013) for additional guidance on what constitutes immediate corrective action.

Module: Offer vs Serve

Intent/Scope of Monitoring

“Offer versus Serve” is a provision in the NSLP and SBP that allows students to decline some of the food offered. The goals of Offer versus Serve are to reduce food waste in the school meals programs while permitting students to decline foods they do not intend to eat.

In SFAs that implement Offer versus Serve, menu planners must ensure they provide adequate amounts of all food components/items so that schools prepare and offer enough food to meet meal pattern requirements. Point-of-service staff must also take Offer versus Serve into account when determining if a student has selected enough components/items to make a reimbursable meal.

When determining Offer versus Serve compliance, the SA must consider if:

- The school is offering enough food on all reimbursable meal service lines
- Signage is posted on the service line to assist students in identifying a reimbursable meal
- Students are selecting at least three food components/items in the proper quantities to make a reimbursable meal
- Food service staff members at the point-of-service are trained and accurately recognize a reimbursable meal, including appropriate quantities

It is important for the SA to understand the Offer versus Serve procedures in place at the school being reviewed prior to observation of the meal service.

Review Procedures

Pre-visit Review Procedures

Supporting Documentation

- Production records

Off-site Review Procedures

Prior to the Administrative Review, the SA should review the SFA's or school's Offer versus Serve policy. **Note:** Other modules within this guidance document include questions on the *Off-site Assessment Tool*, but this module does not, as the information gathered to assess compliance is obtained from reviewing the production records.

Step 1: Performing an Edit Check (optional)

The SA has the option to perform an Offer versus Serve edit check prior to conducting the on-site Administrative Review and/or while on-site to determine if the school is preparing enough food. The Offer versus Serve edit check can alert the SA to possible noncompliance in Offer versus Serve implementation.

To perform the edit check, the SA should review production records to determine what has been served. The SA should then divide the total number of servings of food components or food items by the total number of meals served.

Offer versus Serve Edit Check

The number of servings of components/items = 1900

Milk = 400

Juice = 150

Apples = 125

Oranges = 125

Burger/Bun = 100 + 100

Broccoli = 300

Chicken nuggets = 300 + 300

The number of meals served = 400

$1900/400 = 4.75$ components/items per child

Optional Edit Check: Total Number of Servings of Food Components or Food Items

Total Number of Meals Served

If the result is greater than or equal to three, then the school is preparing enough food components/items for each student to select at least three components/items as required. If the result is less than three, the school may not be producing enough food. This will require further discussion with food service staff to determine how food components/items contribute to meal pattern requirements, as a single food item may contribute to multiple food components.

If the result is less than three, the SA should proceed with the review being mindful of possible noncompliance in this area.

On-site Review Procedures

On-site Assessment Tool

The SA must record review findings on Questions 401-402 and Questions 500-502 of the *On-site Assessment Tool*.

On-site Review

Step 1: Reviewing Prior to Meal Service

Prior to the beginning of the meal service, the SA should determine whether or not the school is implementing Offer versus Serve. To evaluate compliance with the Offer versus Serve requirements, the SA must interview food service staff to assess whether:

- Staff training has been conducted
- Staff understand what constitutes a reimbursable meal
- Staff understand the number of required meal components/food items for a reimbursable meal
- Staff properly distinguish reimbursable meals from a la carte purchases
- Students understand how to select a reimbursable meal
- Signage has been posted explaining Offer versus Serve to students. Regulations in 7 CFR 210.10(a)(2) require schools to identify reimbursable meals to students; this aims to

reduce the unintended purchase of a la carte items and help students make healthy food choices.

Step 2: Observing During the Meal Service

During the meal service observation, the SA must:

- Determine whether the meals selected by students contain a minimum of three food components (NSLP) or food items (SBP) as the students exit the meal service line
- Determine whether each reimbursable meal contains at least ½ cup of fruits or vegetables*
- Verify that food service staff members are accurately judging quantities when the school utilizes service stations, theme bars, or self-serve bars
- Observe students as they move through the service lines and ensure that students demonstrate knowledge of reimbursable meals under Offer versus Serve
- Determine whether food service staff/cashiers understand Offer versus Serve

*Requirements apply to lunch now and breakfast in school year 2014-15 (July 1, 2014).

Fruit and Vegetable Requirements

For a reimbursable meal under Offer versus Serve, students must select at least a ½ cup of either the fruit or the vegetable component, or a ½ cup combination of both components (e.g., ¼ cup fruits and ¼ cup vegetables). If a student selects only three

components, and two of these three components are fruits and vegetables, the student may

Example:

Jane Smith, student at Stellar High School

Offered:

- Milk (8 oz.)
- Grilled chicken (2 oz.)
- Biscuit (2 oz.)
- Broccoli (½ cup)
- Carrots (½ cup)
- Applesauce (½ cup)
- Mandarin oranges (½ cup)

Jane must select at least 3 components. If two of her selected components are vegetables and fruits, she can only take a smaller-than-offered portion of one of those components, not both.

Jane selects grilled chicken, fruit and vegetable as her 3 components.

If Jane selects only one of the vegetables (either broccoli *or* carrots), she must take the full fruit component offered (applesauce *and* mandarin oranges).

Similarly, if Jane selects only one of the fruits (either applesauce *or* mandarin oranges), she must take the full vegetable component offered (broccoli *and* carrots).

select ½ cup of either the fruit or vegetable, but then must select the full amount offered of the other (fruit or vegetable) component. (SP 10-2012 Revised, *Questions & Answers on the Final Rule, “Nutrition Standards in the National School Lunch and School Breakfast Programs*, reference Question 4 under the Offer versus Serve section). See example.

Alternate Meal Service Locations

Meals served at alternate meal service locations must meet Offer versus Serve requirements, if applicable.

Lunches Consumed Off-site

Offer versus Serve is optional for lunches consumed off-site, such as on field trips. Some SAs have implemented an Offer versus Serve waiver for special circumstances; however, USDA does not require a waiver. Meals served off-site still must meet meal pattern requirements. See FNS Instruction 786-8, *Reimbursement for Off-Site Meal Consumption*, for additional guidance.

Non-reimbursable meals

Meals that contain fewer than three components (NSLP) or items (SBP), or do not contain a fruit or vegetable, are not reimbursable.

If students repeatedly take meals with insufficient quantities of fruits or vegetables, e.g., less than ½ cup of a fruit or vegetable, the SA has discretion to disallow those meals.

Step 3: Recording Errors

Review findings related to Offer versus Serve implementation are recorded on the *On-site Assessment Tool*, Questions 500-502.

Additionally, errors related to non-reimbursable meals are recorded on the *On-site Assessment Tool*, Questions 401-402.

- Meals that contain fewer than three components, or do not include a fruit or vegetable, are recorded on Question 401.
- Meals that contain a fruit or vegetable, but less than the required $\frac{1}{2}$ cup, are recorded on Question 402.

Technical Assistance/Corrective Action

The SA must provide technical assistance to bring meals into compliance and ensure that the SFA only claims reimbursable meals, containing at least three components (including at least a fruit or vegetable) in the required quantities

If weaknesses are identified, the SA must record the findings in the comment section for Questions 500-502 of the *On-site Assessment Tool*. For example, if a student selects three meal components or food items (including $\frac{1}{2}$ cup of fruit or vegetable), but declines milk, and the cashier sends the student back to get milk. Staff training on Offer versus Serve should be included in the Corrective Action Plan.

The SA should pay particular attention to any errors suggestive of systemic problems. For example, if the cashier counts as reimbursable, a meal missing the required number of Offer versus Serve components, the SA must determine whether this is a one-time occurrence.

If this error is not a one-time error, training the SFA in Offer versus Serve may be the appropriate corrective action. The SA must provide technical assistance to the SFA for food component and/or quantity errors involving Offer versus Serve in order to bring the SFA into compliance.

Fiscal Action

Refer to the *“Meal Components and Quantities”* Module in this section. Errors subject to fiscal action under Offer versus Serve are either (1) missing meal components, or (2) insufficient quantities. Both are recorded under Meal Components. Missing meal components are recorded on Question 401. Meals that contain insufficient quantities of fruits/vegetables are recorded on Question 402.

Module: Dietary Specifications and Nutrient Analysis

Intent/Scope of Monitoring

The Dietary Specifications and Nutrient Analysis Module details procedures to assess whether meals served to children through the school meal programs are consistent with federal standards for calories, saturated fat, sodium and *trans* fat. To reduce childhood obesity and minimize students' risk of chronic disease, SA staff must ensure SFAs are offering meals that meet regulatory requirements.

Note: The school must be in compliance with the Module: *Meal Components and Quantities* before assessing its compliance with this Module. To alleviate unnecessary work, the SA must provide technical assistance to bring the menu into compliance with the basic meal pattern (components and quantities) requirements before expending resources to conduct a nutrient analysis.

Review Procedures

Pre-visit Review Procedures

Off-site Assessment

SAs must complete the *Meal Compliance Risk Assessment Tool* for each reviewed school. The SA must work with the SFA to obtain current data. The Tool will assist in identifying the school at highest risk for nutrition-related errors. **Note:** Other modules within this guidance document include questions on the *Off-site Assessment Tool*, but this module does not, as the information gathered to assess compliance is obtained from reviewing the data noted above.

The Meal Compliance Risk Assessment Tool

Assesses error-prone areas and scores the reviewed site's risk for nutrition related violations

Supporting Documentation

Supporting documentation is not needed to complete the *Meal Compliance Risk Assessment Tool*. However, supporting documentation is required depending upon the Targeted Menu Review option selected below.

Step 1: Selecting which Reviewed School is At Risk

The SA must determine which of the reviewed schools (as identified in Section I: *Pre-visit Procedures, Site Selection*, of this Guidance) is at highest risk for nutrition-related violations. Working with the SFA, the SA must complete the *Meal Compliance Risk Assessment Tool* for each reviewed school. This screening tool assesses error-prone areas (e.g., multiple meal service lines, multiple age-grade groups, alternate meal service locations) and scores the reviewed school's risk for nutrition-related violations.

Step 2: Selecting the School Subject to a Targeted Menu Review

Based on the results of the *Meal Compliance Risk Assessment Tool* in Step 1, the SA must select the school with the highest score, indicating the highest risk for nutrition-related violations. This school is subject to the targeted menu review as described in Step 3.

In the event that two schools have the same *Meal Compliance Risk Assessment Tool* score, the SA may use the following criteria to select the school for in-depth menu review (in order):

1. Previous Performance Standard 2 noncompliance (based on past administrative or follow-up review findings)
2. No past Administrative Review for the school
3. Request of the School Food Service Director

For the one school determined to be at the highest risk, the SA must conduct a targeted menu review, in accordance with one of the options described in Step 3. If the school selected for the

targeted menu review operates the SBP, the school must be included as one of the schools selected for a SBP review (reference Section I: *Pre-visit Procedures, Site Selection Procedures*).

Step 3: Determining the SA's Targeted Menu Review Approach and Conducting the Review

The SA has the discretion to select one of four options for the targeted menu review of the at-risk school identified in Step 2 above.

Each option described below is distinct and the SA must adopt one option in its entirety (i.e., the SA cannot combine facets of different options to complete the review).

Summary of Targeted Menu Review Options

Option	Requires Off-site Review Activities	Nutrient Analysis May Not Be Required (Possible LOW-RISK Status)	Nutrient Analysis Required (HIGH-RISK status)	On-site Review Required Using Dietary Specifications Assessment Tool
Complete Dietary Specifications Assessment Tool	X	X	Only for high-risk schools	X
Validate Existing Nutrient Analysis (performed by SFA or contractor)			X	X
Conduct Nutrient Analysis (performed by SA)			X	X
Use FNS-Approved Process Utilizing <i>Menu Planning Tools for Certification for Six Cent Reimbursement</i>	State must submit methodology to FNS for approval			

The SA may select one of the following for the targeted menu review:

Option 1: Complete the *Dietary Specifications Assessment Tool*

The *Dietary Specifications Assessment Tool* requires analysis of the dietary specifications and enables the SA to further examine the school's compliance with the meal pattern requirements

for SBP and NSLP.

The *Dietary Specifications Assessment Tool* contains off-site and on-site review elements. The Tool is intended to evaluate specific food service practices for breakfast and lunch to determine the level of risk for not meeting the Dietary Specifications requirements. Responses to the off-site portion of the *Dietary Specifications Assessment Tool* determine if the school selected for targeted menu review is low-risk or high-risk.

The Dietary Specifications Assessment Tool

Analyzes food service practices for breakfast and lunch to determine whether the meals are at risk for not meeting the required dietary specifications

The SA will follow on-site procedures that correspond with the low-risk or high-risk determination. If the school selected for targeted menu review is low-risk, the SA must verify compliance during the on-site review. A nutrient analysis may not be required. If the targeted menu review school is high-risk, the SA must complete a nutrient analysis for both breakfast and lunch (if applicable) using USDA-approved software and complete on-site review procedures.

Off-site Review Procedures

To determine risk, the SA must complete the off-site portion of the *Dietary Specifications Assessment Tool* which requires the following:

- Review one week of menu documentation to examine the school's compliance with the meal pattern requirements for SBP and NSLP. For efficiency, the SA should review the same menus, production records, and standardized recipes for the week the SA reviewed the *Module: Meal Components and Quantities*. However, if the SA identified problems during the meal components review, the SA may choose to review a different week or additional weeks to better understand usual practices at the school.
- Interview the SFA prior to the on-site review to complete the *Dietary Specifications Assessment Tool*. Completion of the *Dietary Specifications Assessment Tool* requires information about food service practices that may not be included in menu documentation.

- The SA must request at least one week of menu documentation for breakfast and lunch, including:
 - Menus
 - Production records
 - Standardized recipes
 - Product formulation statements, if applicable, including nutrition information and how the products contribute toward meal pattern requirements

The SA should grant the SFA sufficient time (e.g., at least four to six weeks) to gather and return the requested documentation to the SA for review prior to the scheduled on-site visit.

On-site Review Procedures

Procedures for Low-risk Schools

If the *Dietary Specifications Assessment Tool* indicates the school is low-risk, the SA must validate the low-risk status through

- Observation of the meal preparation and meal service, and complete the on-site portion of the *Dietary Specifications Assessment Tool*
- Review of food storage on the day of review to check labels
- Evaluating menus, productions records, recipes, and any other documentation which supports the meals offered

When validating low-risk status through on-site review, the SA may encounter the following situations:

- *On-site Observation Supports Low-risk Status*

A nutrient analysis is not required and the targeted menu review is complete. Technical assistance and corrective action may be required, if applicable.

- *On-site Observation Does Not Support Low-risk Status*

Reassess the risk status using the on-site portion of the *Dietary Specifications Assessment Tool* based on observation and supporting documentation. Determine low- or high-risk and proceed as appropriate based on risk level.

- *On-site Observation Does Not Support Low-risk Status and Severe Noncompliance Identified*

If the SA identifies severe noncompliance, the school will automatically be placed as high-risk. Severe noncompliance includes observed practices which could indicate violations of the dietary specifications, e.g., salt shakers are on the tables and used liberally by the students. The SA must conduct a weighted nutrient analysis for breakfast and lunch following the *High-risk On-site Review Procedures* described below.

Procedures for High-Risk Schools

For sites determined to be at high-risk, the SA must conduct or validate a weighted nutrient analysis for breakfast and lunch. To conduct a weighted nutrient analysis on meals offered for each age/grade group and menu type offered at breakfast and lunch, the SA must request breakfast and lunch documentation, including menus, production records, standardized recipes, nutrition fact labels, crediting documentation, and manufacturer specification sheets.

The SA will proceed to the *Nutrient Analysis and Validation Checklist* which requires the completion of the on-site portion of the *Dietary Specifications Assessment Tool*.

During the on-site portion of the Administrative Review, the SA will have the opportunity to examine menu documentation with the SFA and clarify any questions. In addition, the SA will provide targeted technical assistance for the areas contributing to high-risk status and request corrective action as needed.

The Nutrient Analysis and Validation Checklist

Compiles information needed to conduct, or validate, a nutrient analysis. It includes a list of necessary menu documentation, important considerations, and space for reviewers to note comments.

The nutrient analysis must be completed in order for the SA to close the Administrative Review. If the nutrient analysis is not completed before the SA sends the Administrative Review Report to the SFA, the SA must advise the SFA that the review remains open until the nutrient analysis is complete.

For detailed instructions on conducting a weighted nutrient analysis using USDA-approved software, refer to the FNS's *Nutrient Analysis Protocols: How to Analyze Menus for USDA's School Meals Programs*.

Option 2: Validate Existing Nutrient Analysis

Off-site Review Procedures

The SA may validate an existing nutrient analysis conducted by the SFA (or contractor) using USDA-approved nutrient analysis software for the school selected for a targeted menu review. The SA is encouraged to begin activities to validate the nutrient analysis (e.g., collecting menu documentation, data entry) prior to the on-site review, but it is not required. Completing some, or all, of this work in advance allows for more time on-site to provide targeted technical assistance.

The SA will proceed to the *Nutrient Analysis and Validation Checklist* which provides a detailed checklist for validating a nutrient analysis. The SFA must provide a copy of the nutrient analysis (for breakfast and lunch) for the week of review and corresponding backup documentation for validation to the SA. Supporting documentation should include, but is not limited to:

- Menus
- Production records
- Standardized recipes
- Product formulation statements, if applicable, including nutrition information and how the products contribute toward meal pattern requirements

The SA should grant the SFA sufficient time (e.g., at least four to six weeks) to gather and return the requested documentation to the SA for review prior to the scheduled on-site visit.

The nutrient analysis must be for the targeted menu review school only; an aggregated, district-wide analysis cannot be accurately validated. The SA must verify the nutrient analysis protocols are followed as detailed in FNS's *Nutrient Analysis Protocols: How to Analyze Menus for USDA's School Meals Programs*.

On-site Review Procedures

During the on-site portion of the Administrative Review, the SA will have the opportunity to examine menu documentation with the SFA and clarify any questions.

The *Nutrient Analysis and Validation Checklist* requires completion of the on-site portion of the *Dietary Specifications Assessment Tool*. The Tool will help identify areas where the SA can provide targeted technical assistance. The SA must request corrective action and/or assess fiscal action as appropriate.

The nutrient analysis must be validated in order for the SA to close the Administrative Review. If the SA is unable to validate the nutrient analysis before the SA sends the Administrative Review Report to the SFA, the SA must advise the SFA that the review remains open until the nutrient analysis can be validated.

Option 3: Conduct Nutrient Analysis

Off-site Review Procedures

The SA has discretion to conduct a nutrient analysis using USDA-approved nutrient analysis software. The SA is encouraged to begin conducting nutrient analysis activities (e.g., collecting menu documentation, data entry) prior to the on-site review, but it is not required. Completing

some, or all, of this work in advance allows for more time on-site to provide targeted technical assistance.

The SA will proceed to the *Nutrient Analysis and Validation Checklist*, which provides a detailed checklist for conducting a nutrient analysis. The SA must request at least one week of menu documentation for breakfast and lunch to conduct the nutrient analysis, including:

- Menus
- Production records
- Standardized recipes
- Product formulation statements, if applicable, including nutrition information and how the products contribute toward meal pattern requirements

The SA should grant the SFA sufficient time (e.g., at least four to six weeks) to gather and return the requested documentation to the SA for review prior to the scheduled on-site visit.

The nutrient analysis must be for the targeted menu review school only. The SA must follow the nutrient analysis protocols as detailed in FNS's *Nutrient Analysis Protocols: How to Analyze Menus for USDA's School Meals Programs*.

On-site Review Procedures

During the on-site portion of the Administrative Review, the SA will have the opportunity to examine menu documentation with the SFA and clarify any questions.

The *Nutrient Analysis and Validation Checklist* requires completion of the on-site portion of the *Dietary Specifications Assessment Tool*. The Tool will help identify areas where the SA can provide targeted technical assistance and identify areas in need of corrective action.

The nutrient analysis must be complete in order for the SA to close the Administrative Review. If the SA is unable to complete the nutrient analysis before the SA sends the Administrative

Review Report to the SFA, the SA must advise the SFA that the review remains open until the nutrient analysis is complete.

For detailed instructions on conducting a weighted nutrient analysis using USDA-approved software, refer to the FNS's *Nutrient Analysis Protocols: How to Analyze Menus for USDA's School Meals Programs*.

Option 4: Use FNS-approved Process Utilizing FNS-Approved Menu Planning Tools

The SA may propose an alternate method of assessing whether meals are compliant with the dietary specifications using the FNS-approved *Menu Planning Tools for Certification for Six Cent Reimbursement*. The proposed methodology must include a review of all areas covered on the *Dietary Specifications Assessment Tool*. FNS approval of any alternate method is required prior to its use during an Administrative Review.

Technical Assistance/Corrective Action

The SA must provide technical assistance to the SFA for violations involving dietary specifications to bring the SFA into compliance with the nutrition standards.

If the results of the nutrient analysis indicate that the school's breakfasts and/or lunches are not meeting the specifications for calories, saturated fat, and sodium specified in 7 CFR 210.10(f) and 7 CFR 220.8 and 220.23 as applicable. The SA must provide technical assistance and require the SFA/reviewed site to take corrective action to meet the dietary specification requirements. (7 CFR 210.10(h), 7 CFR 220.8(h))

The SA may accept corrective action during the review or, if the school cannot immediately implement it, the SA can require it as part of a Corrective Action Plan.

If the SA implements and verifies immediate corrective action during the on-site portion of the Administrative Review, the new practice should be included in the nutrient analysis. For example, if the SA identifies high sodium items on the salad bar, and then the SFA eliminates those items immediately, the SA would not include the high sodium salad bar items in the nutrient analysis.

If no immediate corrective action takes place, the SA must include current practices in the nutrient analysis. For example, if the SFA cannot immediately eliminate high sodium items on the salad bar, but will work with their vendor in order to correct this in the future, the SA must include the high sodium items in the nutrient analysis.

Recording Errors

Errors related to the dietary specifications are recorded on Questions 603 and 605 of the *On-site Assessment Tool*.

Fiscal Action

The SA has to the discretion to apply fiscal action for repeat violations involving calories, saturated fat, sodium, and/or *trans* fat, provided that:

- The SA has given technical assistance
- The SA has previously required and monitored corrective action
- The SFA remains noncompliant with the meal requirements established in 7 CFR parts 210 and 220

If, upon repeated findings, the SA exercises discretion to take fiscal action for dietary specifications violations, all meals for the entire week may be disallowed/reclaimed, if applicable. Fiscal action is limited to the school selected for the targeted menu review. A nutrient analysis using USDA-approved software is required to justify any fiscal action that may

be required due to noncompliance with dietary specifications requirements. Errors should be recorded under the “Incomplete Meals” section of *the School Data and Meal Pattern Error Form*, S-1, Line 16.

Performance-based Certification Funding (6 cents)

In addition to fiscal action described above, the SA must not permit the SFA to earn performance-based cash assistance unless immediate corrective action occurs. Absent immediate corrective action, the SFA will not be eligible for the 6 cents per lunch reimbursement with the beginning of the month following the administrative review and, at State discretion, for the month of review. Performance-based cash assistance may resume beginning in the first full month the school food authority demonstrates to the satisfaction of the State agency that corrective action has taken place. See FNS Memorandum, SP-31-2012, 3rd Revision, *Child Nutrition Reauthorization 2010: Questions and Answers Related to the Certification of Compliance with Meal Requirements for the National School Lunch Program*, (01-22-2013) for additional guidance on what constitutes immediate corrective action.

Section IV: Resource Management

Modules contained within this Section include:

- Risk Assessment for Resource Management
- Maintenance of the Nonprofit School Food Service Account
- Paid Lunch Equity
- Revenue from Nonprogram Foods
- Indirect Costs
- USDA Foods

Module: Risk Assessment for Resource Management

Intent/Scope of Monitoring

The intent and scope of monitoring in this section is to incorporate a systematic approach to ensuring the overall financial health of an SFA's nonprofit school food service. This Section consists of a review of five areas integral to the financial health of the SFA's school food service. The SA may always supplement the review activity to include additional areas. The monitoring areas are:

- *Maintenance of the Nonprofit School Food Service Account*

The SA must ensure that revenues and expenditures under the nonprofit school food service account are in accordance with 7 CFR 210.14. The nonprofit school food service costs must be allowable — used only for the operation and improvement of the school food service — and net cash resources may not exceed three months' average operating costs. (7 CFR 210.14)

- *Paid Lunch Equity*

The SA must ensure that SFAs comply with the requirements for pricing paid lunches. (7 CFR 210.14(e))

- *Revenue from Nonprogram Foods*

The SA must ensure that SFAs comply with the requirements that *revenues from the sale* of nonprogram foods generate at least the same proportion of total school food service account revenues as *expenditures from the purchase* of nonprogram foods contribute to total school food service account food costs.

In addition, the SFA must price adult meals so the adult payments are sufficient to cover the overall cost of meals, including the value of any USDA Foods used in the production of adult meals. (7 CFR 210.14(f))

- *Indirect Costs*

The SA must ensure that SFAs follow fair and consistent methodologies to identify and allocate allowable indirect costs to school food service accounts. (2 CFR 225)

- *USDA Foods*

The SA must ensure that the SFA and its participating schools have acceptable policies and procedures in place to safeguard and utilize USDA Foods in the School Meals Programs. (7 CFR 210.14(d))

Assuring the integrity of each of these areas has the potential to be labor intensive if done at each reviewed SFA. If the financial health of each SFA's school food service were at risk, a resource management comprehensive review would be necessary. However, this Module is designed to limit the resource management comprehensive review only to those SFAs selected for review AND determined to be at risk in any given year. FNS intends for this risk-based approach to focus SA resources on those SFAs truly in need of technical assistance and corrective action.

Review Procedures

Pre-visit Review Procedures

Off-site Assessment

Questions 700-717 in the *Off-site Assessment Tool* focus on the following areas: maintenance of the nonprofit school food service account, paid lunch equity, revenue from nonprogram foods, indirect costs, and USDA Foods.

The information derived from the *Off-site Assessment Tool* will be added into the *Resource Management Risk Indicator Tool* by the SA. This information must be obtained off-site and should be obtained at least 4 to 6 weeks prior to the on-site Administrative Review.

**The Resource Management
Risk Indicator Tool**

Identifies which SFAs are at risk for problems in resource management

Important: Any failure, whether by the SFA or SA, to adhere to the timeframe outlined above requires a comprehensive Resource Management review to be conducted.

The Resource Management Risk Indicator Tool identifies which SFAs are at risk for problems in resource management. The Tool is expected to lead to a more targeted review that will ultimately provide for streamlined, consistent, and effective management of program resources at the SFA level.

The Resource Management Risk Indicator Tool identifies seven areas of potential risk. If risk is identified in three or more of the seven areas, the SA must conduct a resource management comprehensive review of all five Resource Management areas (i.e., maintenance of the nonprofit school food service account, paid lunch equity, revenue from nonprogram foods, indirect costs, and USDA Foods). See Modules under this Section for more information on the resource management comprehensive review. It is important to note that not all of the questions associated with the risk indicators are intended to imply that the related activity is prohibited rather they just indicate the need or possibility for further review.

Resource management comprehensive reviews are optional in SFAs with fewer than three risk indicators, although corrective action is required for any violation of resource management requirements noted during the off-site assessment phase. If the SA identifies technical assistance needs or any program noncompliance, the SA must follow up with the SFA documenting any assistance provided or corrective action. If the SA identifies the need for corrective action during the course of the off-site assessment, the SA must verify during the on-

site administrative review that the SFA has taken the required actions necessary to ensure compliance.

FNS encourages SAs to include the SA financial management staff in the analysis of the *Resource Management Risk Indicator Tool*.

Using the Resource Management Risk Indicator Tool

While the *Resource Management Risk Indicator Tool* is designed to assess potential risk, it is not intended to be a comprehensive evaluation. Additional evaluation is required to determine whether problems actually exist.

The Tool identifies seven areas of potential risk. Each area contains at least one question, some areas contain multiple questions that may indicate risk (risk indicators). Regardless of how many risk indicators are triggered in any one area, only one indicator is counted. (For example, if an area has two questions and both questions indicate risk, it only counts as one risk indicator. If at least three of the seven areas have a risk indicator, a resource management comprehensive review is required.

Areas of Risk

The seven areas and the risk indicators for each area are identified below.

1) Size of SFA

Off-site Assessment Tool Question

700) Is the SFA's enrollment 40,000 students or more? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA if its enrollment is 40,000 students or more

2) Audits

Off-site Assessment Tool Question

- 701) Did the SFA have any financial findings related to the child nutrition programs on previous administrative reviews or audits within the last three years? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator if the SFA has any financial findings on Administrative Reviews or audits within the last three years.

3) Maintenance of the Nonprofit School Food Service Account

Off-site Assessment Tool Questions

- 702) Did the SFA conduct a year-end review of total revenues and expenses to determine the school food service nonprofit status? (YES/NO)
- 703) Did the SFA identify year-end expenses in excess of revenues? (YES/NO)
- 704) If the SFA had excess revenues at the end of the year, were the surplus funds transferred out of the school food service account to support other operations? (YES/NO/Not applicable)
- 705) Did the SFA, in the most recent fiscal year, complete a process to measure its compliance with the requirement to limit net cash resources to a level at or below three months' average expenditures? (YES/NO)
- 706) Did the SFA maintain support records to document its compliance with the three months' net cash resource limit? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA for maintenance of the nonprofit school food service account if any one of the following is found:
 - The SFA did not conduct a year-end review of total revenues and expenses to determine the school food service nonprofit status; or
 - The SFA identified year-end expenses in excess of revenues; or

- Funds were transferred out of the school food service account to support other operations; or
- The SFA, in the most recent fiscal year, did not complete a process to measure its compliance with the requirement to limit net cash resources to a level at or below three months' average expenditures; or
- The SFA did not maintain support records that document its compliance with the three months net cash resource limit.

4) Paid Lunch Equity

Off-site Assessment Tool Questions

- 707) Did the SFA use the USDA *Paid Lunch Equity tool* to evaluate paid lunch prices?
(YES/NO)
- 708) Did the SFA increase its paid lunch prices if the tool indicated a paid lunch price increase was required? (YES/NO)
- 709) Did the SFA use non-Federal funds to meet the required paid lunch price, in lieu of raising prices? (YES/NO)
- 710) Did the SFA submit its most frequently charged paid lunch prices to the SA?
(YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA for paid lunch equity if any one of the following is found:

The SFA:

- Did not use the USDA *Paid Lunch Equity Tool* to calculate the need for a paid lunch price increase, or
- Did not increase its paid lunch prices if the Tool indicated a paid lunch price increase was required, or
- Uses non-Federal funds to support paid lunch prices, or

- Did not submit its most frequently charged paid lunch price information for the previous school year to the SA.

5) Revenue from Nonprogram Foods

Off-site Assessment Tool Questions

- 711) Does the SFA use the *USDA Revenue from Nonprogram Foods Tool* to calculate its nonprogram food costs and nonprogram food revenue? (YES/NO)
- 712) Was the SFA's proportion of total revenue from the sale of nonprogram foods to the total revenue of the school food service account **equal to or greater than** the proportion of total food costs associated with obtaining nonprogram foods to the total costs associated with obtaining program and nonprogram foods from the account? (YES/NO)

$$\frac{\text{Total Non-Program Food Revenue}}{\text{Total Program Revenue}} \geq \frac{\text{Total Non-Program Food Cost}}{\text{Total Food Cost}}$$

Risk Indicators

- The SA will assign one risk indicator to the SFA for revenue from nonprogram foods if either one of the following is found:
 - The SFA does not use the *USDA Revenue from Nonprogram Foods Tool* to calculate its nonprogram food costs and nonprogram food revenue; or
 - The SFA's proportion of total revenue from the sale of nonprogram foods to the total revenue of the school food service account is **less than** the proportion of total food costs associated with obtaining nonprogram foods to the total costs associated with obtaining program and nonprogram foods from the account.

6) Indirect Costs

Off-site Assessment Tool Questions

- 713) Did the LEA charge the school food service account for indirect costs? (YES/NO)

714) Did the LEA charge indirect costs at the SA-approved rate? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA for indirect costs if any one of the following is found:
 - The LEA charged the school food service account for indirect costs; or
 - The LEA did not charge indirect costs at the SA-approved rate.

7) USDA Foods

Off-site Assessment Tool Questions

- 715) Does the SFA receive its USDA Foods from a purchasing agency, cooperative, or distributor? (YES/NO)
- 716) Does the SFA or SFA's purchasing agency or cooperative divert USDA foods for processing? (YES/NO)
- 717) Does the SFA contract with a food service management company for food service and purchasing? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA for USDA foods if any one of the following is found:
 - The SFA receives its food from an entity other than the State distributing agency; or
 - The SFA diverts USDA Foods for processing; or
 - The SFA has a food service management company contract for food service and purchasing.

Technical Assistance/Corrective Action

FNS requires technical assistance and corrective action in all instances where the SA identifies violations of the resource management regulations or guidance. As indicated previously, any issues or findings identified in the application of the *Resource Management Risk Indicator Tool* must be followed up with corrective action and/or technical assistance, even if a comprehensive review is not required. Refer to the Modules that follow for more information.

FNS encourages the SA to conduct a follow-up review for repeated instances of resource management noncompliance. Needed corrective action and/or technical assistance must be recorded in the applicable comments section of the *Off-Site Assessment Tool* or *Resource Management Comprehensive Review Form*.

Resource Management Comprehensive Review

The *Resource Management Comprehensive Review Form* is used to conduct a comprehensive review of SFAs with three or more risk indicators from the seven areas of potential risk. The scope of the resource management comprehensive review is described in greater detail for each resource management area in the Modules in this section.

Note: The SA may conduct the comprehensive review either on-site or offsite; with one exception, the review of allowable costs must be conducted on-site.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or

egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: Comprehensive Review – Maintenance of the Nonprofit School Food Service Account

Intent/Scope of Monitoring

This Module applies only if the SA is conducting a comprehensive review of the SFA's resource management. When conducting a comprehensive review of the maintenance of the nonprofit school food service account, the SA must assess an SFA's risk of noncompliance with the provisions of 7 CFR 210.2, 210.14(a), 210.14(b), and 210.19(a)(1), which address the maintenance of the nonprofit school food service account.

This Module focuses on ensuring the SFA is maintaining and using its nonprofit school food service account according to regulatory requirements, which include observing the limitation on the use of the nonprofit school food service account revenues set forth in 210.14, and ensuring related costs are necessary, reasonable, and allowable. SA monitoring of this area is intended to ensure that SFAs:

- Use all **nonprofit school food service revenue** solely for the operation or improvement of the school food service:
 - Revenues must be used for food, equipment, and labor to operate the meal program;
 - Revenues must not be used to purchase land and/or buildings, or to construct buildings, unless approved by FNS; and
 - SFAs may use facilities, equipment, and personnel supported with nonprofit school food service revenues to support a nonprofit nutrition program for the elderly, funded under the Older Americans Act of 1965.

- Limit **net cash resources** to three months' average operating costs. Limiting the size of food service net cash resources ensures that funds in the nonprofit school food service account are expended to improve program operations and meal quality.
- Comply with **allowable cost** restrictions, limiting expenses of nonprofit school food service funds to those costs that are necessary, reasonable, and allocable.

This section of review falls under the General Areas.

Review Procedures

With the exception of the comprehensive review of allowable costs — which must be conducted on-site — the SA has the flexibility to cover all other aspects of the maintenance of the nonprofit school food service account either off-site or on-site. The *Maintenance of the Nonprofit School Food Service Account* section of the *Resource Management Comprehensive Review Form* is used when conducting a comprehensive review of this Module. To answer the questions on the review form, the SA must obtain documentation which may include, but is not limited to, the statement of revenues and expenses, a general ledger, or other similar documents. The SA must assess the information in accordance with the guidance below.

Nonprofit School Food Service and Net Cash Resources:

A sample balance sheet is provided here to help the SA perform the calculations in the steps below. Please note this is just a sample and may not reflect all categories that typically would appear on a balance sheet.

Sample Balance Sheet

Current Assets

Cash and Cash Equivalents

Cash in Bank \$ _____

Petty Cash \$ _____

Cashier's Change Cash \$ _____

Investments \$ _____

Step 1: Total Current Assets \$ _____

Current Liabilities

Accounts Payable \$ _____

Accrued Salaries \$ _____

Accrued Payroll Deductions \$ _____

Due to Other Funds \$ _____

Deferred Revenue \$ _____

Step 2: Total Liabilities \$ _____

Net Cash Resources

Subtract Total Liabilities (**Step 2**)

from Total Current Assets (**Step 1**)

Step 3: Net Cash Resources \$ _____

- *Step 1 — Total Nonprofit Food Service Revenues for the SFA:* Determine the SFA's available revenues based on the most recently closed-out year. The SA must identify all monies received by or accruing to the nonprofit school food service account including, but not limited to, meal payments, earnings on investments, other local revenues, state

revenues (i.e., reimbursements and state match), and federal cash reimbursements. This information should be available on the statement of revenues and expenses, the general ledger, or other similar documents.

- *Step 2 — Total Expenses:* Determine total expenses incurred in the operation or improvement of the nonprofit food service program.
- *Step 3 — Net Cash Resources:* Calculate the SFA's net cash resources using the values from Step 1 and Step 2:

$$\text{Step 1 (Total Net Cash)} - \text{Step 2 (Total Cash Payable)} = \text{Step 3 (Net Cash Resources)}$$

- *Step 4 — Identify the SFA's Three Months' Average Expenditures (i.e., liabilities):* Using the annual balance sheet or comparable documentation, the SA must convert the annual expenditures to average monthly expenditures by dividing a full year's total expenditures by the number of operational months and multiply by 3 months as follows:

Step A:

Full year's expenditures

Total months operating = 1 month average expenditure

Step B:

1 month average expenditure x 3 = SFA three (3) months' average expenditures

Note: SFAs may use an alternative calculation if one has been established by the State agency.

- *Step 5 — Determine the SFA's Compliance with Net Cash Resources Requirements in 7 CFR 210:*

- If the annual net cash resources amount (see balance sheet above) is less than the three months' average expenditures amount as determined above, the SFA is in compliance.
- If the annual net cash resources amount is higher than three months' average expenditures, then the SFA is not in compliance, unless approval has been given by the SA to the SFA.

Allowable Costs:

On-site Review Procedures:

While the *Off-site Assessment Tool* does not include questions concerning allowable costs, the SA must evaluate the SFA's compliance with allowable cost restrictions on-site during the comprehensive resource management review through the following activities:

- *Step 1* — Review the SFA's year-end statement of revenues and expenses for the school food service account to determine if general expenses appear to be reasonable, necessary and allocable. For an extensive list of allowable and unallowable costs SAs should refer to 2 CFR 225.
 - A reasonable cost must follow restraints imposed by generally accepted sound business practices, including an "arms-length" standard, or the price that item or service would be on the open market, and follow state and federal regulations. Costs must be assigned to the programs, functions and activities that benefited from the SFA having incurred the cost. All costs must be adequately documented and treated consistently as direct or indirect.
 - Costs that are not reasonable and necessary for program purposes or that do not otherwise satisfy federal cost principles and program regulations are unallowable.
 - Costs that would otherwise be allowable may be made unallowable by the action or inaction of the SFA. For example, if a SFA purchases a food

processor without following a competitive procurement process, then that cost becomes unallowable, because the SFA failed to maintain the required documentation to support the costs charged to the program. No portion of an unallowable cost may be charged to the program.

- *Step 2 — Review a Sample of Expenditures:* Select a sample of expenditures from the general ledger report for the most recent closed-out year to determine if the recorded expenditures represent an activity or function that is recognized as reasonable and necessary for the operations of the programs. If the general ledger fails to provide the sufficient detail needed to identify expenditures, a review of invoices and receipts for the review period may provide this information. To conduct a sampling of the SFA's expenditures, the SA must perform the following steps:
 - Conduct an initial assessment of approximately 10 % of the expenditures in the general ledger; interview the SFA staff about any questionable items and request invoices to substantiate the expenditures
 - Review a minimum of 10% of salaries and benefits; ensure all employees paid are involved in the school meal programs
 - Review a minimum of 10% of food and food processing supplies
 - Review a minimum of 10% of other expenses

Technical Assistance/Corrective Action

Corrective action must include the submission of a plan by the SFA to spend net cash revenues in excess of three-month average expenditures to improve school food service activities.

If the SA finds that the SFA has inappropriately spent nonprofit school food service funds on unallowable costs, corrective action will require a transfer of funds from the SFA's general fund for the unallowable expenditures.

Corrective action must include information about the SFA's violation of federal law/regulations/applicable policy guidance and necessary adjustments needed for the SFA to become compliant. Needed corrective action and/or technical assistance must be recorded in the comments section of the *Resource Management Comprehensive Review Form*.

Fiscal Action

This is a General Area, thus fiscal action is not required. However, as noted above, if the SA finds that the SFA has inappropriately spent nonprofit school food service funds on unallowable costs, the SA must require a transfer of funds from the SFA's general fund to the nonprofit school food service account for the unallowable expenditures.

FNS also encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: Comprehensive Review – Paid Lunch Equity

Intent/Scope of Monitoring

This Module applies only if the SA is conducting a comprehensive review of a SFA's resource management. When conducting a comprehensive review of paid lunch equity, the SA must evaluate the prices the SFA charges for paid lunches in relation to the federal paid and free reimbursement rates. To do so, SFAs must determine:

- the average price charged for paid lunches in the previous school year
- the difference between the free lunch per meal reimbursement rate and the paid lunch per meal reimbursement rate in effect for the previous school year; this is also called the “reimbursement difference”

If an SFA's average price of a paid lunch is equal to or greater than the reimbursement difference, the SFA is not required to make any adjustments in lunch prices or to add revenue to the nonprofit school food service account as long as it continues to charge an average price that is not less than the amount of the reimbursement difference.

If an SFA's average price of a paid lunch is less than the reimbursement difference, the SFA must increase prices for paid lunches or add financial support from non-federal sources to the school food service account. The paid lunch equity provision is found at 7 CFR 210.14(e).

Due to the complexity of calculations, FNS developed the *Paid Lunch Equity Tool* for SFAs to use in determining compliance with this provision. For more information, refer to 7 CFR 210.14(e) and FNS memorandum SP 39-2011 Revised, *Child Nutrition Reauthorization 2010: Guidance on Paid Lunch Equity and Revenue from Nonprogram Foods*.

The intent in monitoring this provision is to ensure support for paid lunches is in compliance with section 205 of the Healthy, Hunger-Free Kids Act.

This area falls within the General Area of the Administrative Review.

Review Procedures

The *Paid Lunch Equity* section of the *Resource Management Comprehensive Review Form* contains questions to assess the information in accordance with the guidance below. The SA has the flexibility to cover this area either off-site or on-site.

The SA must:

1) Gather the following Information.

- The SFA's completed *Paid Lunch Equity Tool* or alternate documentation for the previous school year
- Previous school year weighted average price for paid lunches if FNS Tool is not used
- All paid lunch prices for October of the previous school year
- Number of paid lunches served associated with each paid lunch price in October of the previous school year

2) Input the information above into the *Paid Lunch Equity Tool*.

3) Compare SA calculations to SFA calculations and determine whether the SFA correctly determined whether or not a paid lunch increase was necessary for the current school year, and — if an increase was necessary — whether the SFA correctly determined the price increase for compliance with the paid lunch equity requirements.

4) Determine if the SFA raised its paid lunch prices, if required. If paid lunch prices were not raised, determine if the SFA uses non-federal sources to support its paid lunch prices. If non-federal funds were used to support paid lunch prices, the SA should determine if the sources are allowable and appropriately recorded in the nonprofit school food service account.

Permissible non-federal sources include funds provided by states, counties, school districts and others; funds provided by school-related or community organizations and state revenue matching funds that exceed the minimum requirement. For a detailed list of allowable and unallowable non-federal sources, see 7 CFR 210.14(e) and SP 39-2011 Revised, *Child Nutrition Reauthorization 2010: Guidance on Paid Lunch Equity and Revenue from Nonprogram Foods*.

Technical Assistance/Corrective Action

The SA must immediately require the SFA to submit corrective action if, during the course of the Resource Management Comprehensive review, the SA finds that the SFA:

- incorrectly calculated the appropriate paid lunch charge
- did not raise its paid lunch price, if such an increase was necessary
- used unallowable non-federal sources to support its paid lunch price
- did not transfer a sufficient amount of non-federal funds into the SFA's nonprofit school food service account if the SFA did not raise its paid lunch prices

Given the complexity of this issue, FNS encourages SAs to provide on-site technical assistance. Needed corrective action and/or technical assistance must be recorded in the comments section of the *Resource Management Comprehensive Review Form*.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: Comprehensive Review – Revenue from Nonprogram Foods

Intent/Scope of Monitoring

This Module applies only if the SA is conducting a comprehensive review of a SFA's resource management. When conducting a comprehensive review of revenue from nonprogram foods, the SA must assess whether the SFA took steps to ensure the *revenues from the sale* of nonprogram foods generate at least the same proportion of SFA revenues as *expenditures from the purchase* of nonprogram foods contribute to SFA food costs. (7 CFR 210.14(f))

$\frac{\text{Total nonprogram food revenue}}{\text{Total program revenue}} \geq \frac{\text{Total nonprogram food cost}}{\text{Total food cost}}$

FNS defines “nonprogram foods” as those foods and beverages sold in a participating school other than reimbursable meals and meal supplements that are purchased using funds from the nonprofit school food service account. Nonprogram foods include a la carte items and adult meals. They also include items purchased with nonprofit school food service account funds for vending machines, fundraisers, school stores and for catered and vended meals.

Review Procedures

The *Revenue of Nonprogram Foods* section of the *Resource Management Comprehensive Review Form* provides review questions to assess the SFA's compliance with the nonprogram revenue requirements. The SA must assess the information in accordance with the guidance below. The SA has the flexibility to cover this area either off-site or on-site.

The SA must:

- 1) Gather the following Information:
 - Food costs of reimbursable meals
 - Food costs of nonprogram foods
 - Revenue from nonprogram foods
 - Total revenue

The SA must determine if the SFA's process for calculating these figures ensures that all appropriate nonprogram food revenues and costs are included. Additionally, the SA must ensure the revenues properly accrue to the nonprofit school food service account. FNS encourages SAs to consult with financial management staff at their SA for further guidance and assistance, if necessary.

- 2) Request a copy of the SFA's most recent "*USDA Nonprogram Food Revenue Tool*" or alternative mechanism and supporting documentation used by the SFA to determine the need for the SFA to increase its revenue from nonprogram foods.

The revenue from the sale of nonprogram foods as a proportion of total food service account revenue must be equal to or greater than the costs of obtaining nonprogram foods as a proportion of total program and nonprogram food costs.

Food Cost Ratio:

$$\frac{\text{Cost of nonprogram foods}}{(\text{cost of program foods} + \text{cost of nonprogram foods})}$$

Revenue ratio:

$$\frac{\text{Nonprogram revenue}}{(\text{program revenue} + \text{nonprogram revenue})}$$

FNS recognizes that many SFAs cannot easily separate their program and nonprogram food costs because they do not receive separate invoices for program and nonprogram foods and both foods may be served simultaneously. In light of these challenges, State agencies are encouraged to provide guidance to SFAs for how they may comply with federal requirements to meet the intent of the National School Lunch Act. State agencies may develop, with approval from their FNS regional office, alternative methods for their SFAs to calculate their nonprogram foods costs.

3) Review the price the SFA charges for adult meals to ensure that breakfasts and lunches served to adults are priced so that the adult payment in combination with any per-lunch revenues from other sources designated specifically for the support of adult meals (such as state or local fringe benefit or payroll funds, or funding from voluntary agencies) is sufficient to cover the overall cost of the lunch.

Note: The adult paid meal price must include the value of any USDA Foods (entitlement and bonus). For more information, refer to FNS Instruction 782-5 REV. 1, *Pricing of Adult Meals in the National School Lunch And School Breakfast Programs*.

Technical Assistance/Corrective Action

The SA must immediately require the SFA to submit corrective action if, during the course of the Resource Management Comprehensive review, the SA finds that the SFA:

- Incorrectly calculated its revenue from nonprogram foods and/or its nonprogram foods costs

- Does not have a sufficient process in place to accurately and thoroughly assess its compliance with the revenue from nonprogram foods requirements
- Did not ensure that revenue from nonprogram foods accrued to the nonprofit school food service account
- Priced adult meals below the cost of producing those meals
- Did not keep sufficient records documenting compliance with the requirements in 7 CFR 210.14(f)

Any violations of program requirements require corrective action. Corrective action may include correction of SFA procedures for determining nonprogram food costs or raising its nonprogram food prices to sufficiently cover the SFA's nonprogram food costs.

In addition, the SA must provide technical assistance to assist the SFA, should the SFA use an alternative nonprogram revenue calculation tool. FNS encourages the SA to provide technical assistance to help the SFA identify opportunities to increase the SFA's revenue from the sale of nonprogram foods.

Needed corrective action and/or technical assistance must be recorded in the comments section of the *Resource Management Comprehensive Review Form*.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: Comprehensive Review – Indirect Costs

Intent/Scope of Monitoring

This Module applies only if the SA is conducting a comprehensive review of a SFA's resource management. When conducting a comprehensive review of indirect costs, the SA must evaluate charges to the nonprofit school food service account, including allowable direct and indirect costs.

Indirect costs are incurred for the benefit of multiple programs, functions, or other cost objectives, and therefore cannot be identified readily and specifically with a particular program or other cost objective. They typically support administrative overhead functions such as fringe benefits, accounting, payroll, purchasing, facilities management, utilities, etc.

Charges for indirect costs are based on two factors:

- The indirect cost rate established for a specific fiscal year, and the corresponding direct cost base
- A documented methodology that accurately allocates indirect costs.

In most cases, the indirect cost rate is in the indirect cost rate agreement, negotiated and approved by the associated state educational agency. Indirect cost rate agreements expire annually and it is imperative that SFAs use the most current approved rate for each fiscal year. The direct cost base is the sum of allowable and unallowable costs that receives a benefit from the costs in the pool.

SAs must ensure that SFAs use the correct indirect cost rate and that the correct rate is applied to the correct the direct cost base. For further information on indirect costs, the SA should refer to *FNS' Indirect Cost Guidance (SP 41-2011 with attachments)*.

Note: The scope of monitoring may require the SA to assess how unit(s) of the local educational agency, other than the school food service, implement their indirect cost responsibilities, as applicable.

This section of review falls under the General Areas.

Review Procedures

The *Indirect Cost* section of the *Resource Management Comprehensive Review Form* contains questions to assess the information in accordance with the guidance below. The SA has the flexibility to cover this area either off-site or on-site.

The SA must review the following information during the Administrative Review:

1. Indirect Cost Rate Agreement:
Ensure that the SFA is using the approved indirect cost rate from the State Education Agency (SEA).
2. Use Correct Rate/Base: Ensure the indirect cost charged to the

INDIRECT COST RATE AGREEMENT
STATE EDUCATIONAL AGENCY

ORGANIZATION: XXX State Educational Agency
4505 East Boulevard
Ark, TX 87778-0000

DATE: _____
AGREEMENT NO. _____
FILING REFERENCE: _____

The purpose of this Agreement is to establish indirect cost rates for use in awarding and managing of Federal contracts, grants, and other assistance arrangements to which Office of Management and Budget (OMB) Circular A-87 applies. This agreement is issued by the U.S. Department of Education pursuant to the authority cited in OMB Circular A-87.

This Agreement consists of four parts: Section I - Rates and Bases; Section II - Particulars; Section III - Special Remarks; and, Section IV -Approvals.

Section I - Rate(s) and Base(s)

Type	Effective Period		Rate	Base	Coverage	
	From	To			Location	Applicability
Fixed	07-01-09	06-30-10	10.0%	1/	All	2/
Fixed	07-01-09	06-30-10	5.0%	1/	All	3/

1/ Total direct costs less items of equipment, alterations and renovations, pass-through funds, and subaward expenditures in excess of \$25,000 per subaward.

2/ All Federal programs which do not require the use of a restricted rate per 34 CFR 76.563.

3/ All Federal programs which require the use of a restricted rate per 34 CFR 76.563.

Treatment of Fringe Benefits

Fringe Benefits applicable to direct salaries and wages are treated as direct costs.

nonprofit school food service account is consistent with the approved indirect cost rate to the direct cost base found in the approved indirect cost rate agreement. See example below.

3. Accounting Consistency: Handling of indirect costs must be consistent in all activities of the SFA unless otherwise exempted. For example, if the nonprofit school food service account is charged for electricity costs based on square footage, all other activities of the SFA must be similarly charged, as applicable.
4. Prior Year's Retroactive Billing: Confirm that the nonprofit school food service account was not charged for indirect costs that were previously paid from the general fund. It is unallowable to bill the school food service account for indirect costs unless an agreement exists to show that the SFA had been "loaned" the nonprofit school food service account funds to cover the indirect costs in one or more prior years with the expectation of repayment. In such cases, accounting records should support implementation of the loan agreement. For example, a transfer of funds from the general fund to the food service account might be recorded as a receivable ("Due From Food Service Fund," etc.).
5. Proper Classification of Costs (Direct /Indirect): Costs must be consistently treated as direct or indirect. Confirm that school food service accounts are not charged directly for expenditures that are included in the indirect cost pool (double dipping).
6. Support Documents for Indirect Cost Billing: Verify the documentation that supports actual indirect costs charged to the school food service account. Check for mathematical errors and confirm that indirect costs were calculated based on the correct rate and the correct base.

Technical Assistance/Corrective Action

Corrective action is required if the nonprofit school food service account has been charged costs in excess of the approved indirect cost rate OR the correct rate has been applied to an incorrect direct cost base.

In the former situation, the SA must require that the correct rate and base be applied and the incorrectly transferred funds be restored to the nonprofit school food service account. In the latter situation, the SA must require the correct rate be applied to the new base, and funds be restored to the nonprofit school food service account. The SA must ensure that the total amounts due are properly credited to the school food service account. Needed corrective action and/or technical assistance must be recorded in the comments section of the *Resource Management Comprehensive Review Form*.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: Comprehensive Review – USDA Foods

Intent/Scope of Monitoring

When conducting a comprehensive review of USDA Foods, the SA must ensure the SFA and its participating schools have adequate policies and procedures in place to safeguard and utilize USDA Foods in the Child Nutrition Programs. This area falls within the General Area of the Administrative Review.

To evaluate compliance with the USDA Foods requirements, the SA review must:

- Review the SFA's use of USDA Foods in school lunches or in other nonprofit school food service activities (7 CFR 210.9(b)(15) and 7 CFR 250.60)
- Review the SFA's procurement of end products (e.g., containing USDA Foods) from commercial processors or distributors in accordance with requirements in 7 CFR 210 and Subpart C of 7 CFR 250
- Ensure that SFAs conduct at least an annual reconciliation and maintain records sufficient to ensure that a purchasing agent or FSMC has credited the SFA for the value of all USDA Foods received for use in the school food service (7 CFR 250.51, and 250.54(a) and (c))

Review Procedures

The *USDA Foods* section of the *Resource Management Comprehensive Review Form* contains questions to assess the information in accordance with the guidance below. The SA has the flexibility to cover this area either off-site or on-site. The form will collect appropriate information to help the SA ensure SFAs properly safeguards and utilizes USDA Foods.

Child Nutrition staff should work with the State's USDA Foods staff for the purposes of assessing compliance and technical assistance opportunities. The SA must determine through in-person observation and/or review of documentation:

- Documentation demonstrates the nonprofit school food service has received the full value of USDA Foods. For example, documentation review may include details of current contracts with entities other than the state distributing agency (e.g., FSMCs, cooperatives) or other documentation relating to proper attribution of the full value of USDA Foods
- The SFA must provide proper storage and use of USDA Foods
- The SFA's records properly account for the receipt, valuation, storage and use of USDA Foods

To assess whether systemic problems exist, the SA may sample contracts, receipts, invoices and other related records. The SA is not required to validate all of the SFA's records. The SA should sample 10-50% of the SFAs' records relevant to USDA Foods.

The following documents may be needed in order to validate the SFA has received the rebates, discounts and credits it is entitled to for its USDA Foods:

1. The bid document detailing the credit price by commodity type weight/case
2. Inventory report from processor or cooperative
3. Invoice/delivery receipt from the processor/distributor showing the credit the SFA received by commodity type

Note: To ensure the SFA received appropriate credits and rebates on their USDA Foods, the SA must evaluate processing contracts and other related records in the sample to ensure provision is made for the SFA to receive any appropriate credits or rebates. Additionally, the SA must analyze any related financial records, including receipts and invoices, to ensure the credits or rebates were properly attributed to the nonprofit school food service account. The SA should have the SFA explain how the method of crediting works, in part to reaffirm this is the SFA's

responsibility, but also to establish that the SFA fully understands its responsibilities in this area.

Technical Assistance/Corrective Action

FNS requires corrective action for any program violation noted. Corrective actions may include but are not limited to the following:

- If the SFA has not received appropriate rebates and credits for processed USDA Foods, the SA must ensure such rebates and credits are recovered and provided to the nonprofit SFA account. The SA must also ensure that appropriate changes are made to ensure future transactions are conducted properly.

Needed corrective action and/or technical assistance must be recorded in the comments section of the *Resource Management Comprehensive Review Form*.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Section V: General Program Compliance

Modules contained within this Section include:

- Civil Rights
- SFA On-site Monitoring
- Local School Wellness Policy
- Competitive Food Services
- School Meal Environment Report Card
- Water
- Food Safety
- Reporting and Recordkeeping
- SBP and SFSP Outreach

Module: General Area – Civil Rights

Intent/Scope of Monitoring

FNS requires SFAs to administer program services and benefits in accordance with all laws, regulations, instructions, policies, and guidance related to nondiscrimination in program delivery. The review uses a tiered risk approach, focusing on elements of noncompliance with civil rights requirements.

This monitoring area falls under the General Areas of the Administrative Review.

Review Procedures

The SA must assess whether the SFA is complying with civil rights requirements as applicable to the Child Nutrition Programs, i.e., NSLP (including Fresh Fruit and Vegetable Program, Seamless Summer Option, and afterschool snacks), SBP, and SMP.

SAs are encouraged to complete the civil rights compliance evaluation off-site unless on-site validation is required as described below.

Pre-visit Review Procedures

Off-site Assessment Tool

Questions 800-807 of the *Off-site Assessment Tool* focus on civil rights compliance. If this portion of the Tool is not completed prior to the on-site review, applicable documentation must be available for the SA review at the start of the on-site portion of the review.

Supporting Documentation

- a copy of the SFA's public release
- a description of procedures for receiving and handling Civil Rights complaints
- information on the number and description of complaints alleging discrimination in the current and prior school year
- information about the SFA's most recent civil rights training for staff
- a description of the SFA's procedures for collecting racial/ethnic data

Off-site Review Procedures

To evaluate civil rights compliance, the SA will:

- Ensure that the SFA's procedures, as described in the *Off-site Assessment Tool* meet civil rights requirements

If the *Off-site Assessment Tool* identifies any potential problems or requires additional documentation, the SA should make an attempt to obtain clarification and/or the necessary documents before categorizing a response as unsatisfactory. However, a response to a pre-visit question may still be unsatisfactory even after obtaining clarification or additional documentation.

Off-site Review Questions

800) *What non-discrimination statement is used for appropriate Program materials?*

Response must be the statement below:

"In accordance with Federal Law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability. To file a complaint of discrimination, write USDA, Director, Office of Adjudication, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call

toll free (866) 632-9992 (Voice). Individuals who are hearing impaired or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339; or (800) 845-6136 (Spanish). USDA is an equal opportunity provider and employer.”

If the material is too small to contain the full statement, the material at minimum must include the following statement: “This institution is an equal opportunity provider.”

These statements must be included on any document that references FNS programs.

Documents that do not reference FNS programs are exempt.

801) Obtain a copy of the SFA’s public release.

The SA must obtain a copy of the SFA’s public release. The release must contain the same information supplied in the letter to households except that the public release must contain both the free and reduced price Income Eligibility Guidelines. The public release must also explain that:

- When known to the SFA, households will be notified of their children’s eligibility for free meals if they are members of households receiving assistance from—
 - The Supplemental Nutrition Assistance Program (SNAP) or as applicable, the Food Distribution Program on Indian Reservations (FDPIR); or
 - The Temporary Assistance for Needy Families (TANF) as by law,
- No application is required for free meal benefits.
- All children in these households are eligible for free meals and if any child(ren) was not listed on the eligibility notice, the household should contact the SFA or school to have benefits extended to that child(ren).

The SA may prepare the public release on behalf of its SFAs. In this instance, the release must reference the schools covered by this type of public release.

Note: RCCIs are not required to submit a public release unless their enrollment includes day students. However, RCCI's are expected to comply with other requirements related to public notification (i.e., brochures, websites).

- 802) *Is there a need for services for Limited English Proficient (LEP) households? If so, what services did you provide?*

SFAs are required to take reasonable steps to ensure meaningful access to FNS program information and services. Reference FNS Memoranda SP 42-2012, *Application and Other Household Materials for Limited English Proficient Households – Reminder* and SP 06-2012, *Applications and Other Household Materials for Limited English Proficient Households*; the *Eligibility Manual for School Meals*; and Section VII of FNS Instruction 113-1, *Civil Rights Compliance and Enforcement – Nutrition Programs and Activities*.

- 803) *What are the SFA's procedures for receiving and processing complaints alleging Civil rights discrimination within FNS School Meals programs? If procedures are written, please provide a copy.*

The SFA's procedures are largely at their discretion but must indicate the following in some form: if an allegation is made verbally or in person, the person receiving the allegation must transcribe the complaint; the SFA's procedures for receiving a complaint cannot prevent a complaint from being accepted; and what outside agency is forwarded complaints (i.e., SA, FNSRO, FNS Office of Civil Rights, or USDA Office of Civil Rights). Additionally, the SFA's procedures must not indicate that they attempt to resolve the complaint themselves nor can the SFA's complaint process be a prerequisite for accepting a complaint.

- 804) *Has the SFA received any written or verbal complaints alleging discrimination in FNS programs in the current or prior school year?*

If complaints were received, the SA must ensure that they were forwarded to the SA, FNS Regional Office, FNS Office of Civil Rights, or the USDA Office of Civil Rights.

805) *What procedures are in place for accommodating students with special dietary needs?*

The SFA's response should indicate an understanding of requirements under 7 CFR 210.10(g)(1), 7 CFR 210.10(g)(2), 7 CFR 220.8(d)(1) and 7 CFR 220.8(d)(2) and FNS guidance, *Accommodating Students with Special Dietary Needs*.

806) *When was the SFA's most recent civil rights training for staff who interact with program applicants or participants (i.e., cafeteria staff, F/R application approval staff) and their supervisors? Who attended these trainings? Provide supporting documentation for your responses.*

The SFA must provide documentation that indicates that the civil rights training occurred and that required participants attended. Documentation must indicate that the following subjects were covered: Collection and Use of Data, Effective Public Notification Systems, Complaint Procedures, Compliance Review Techniques, Resolution of Noncompliance, Requirements for Reasonable Accommodations of Persons with Disabilities, Requirements for Language Assistance, Conflict Resolution, and Customer Service. For example, the SFA may provide a copy of the agenda for the relevant training and a corresponding sign-in sheet.

807) *How does the SFA collect racial/ethnic data? How often is this information collected? Provide documentation to support the response.*

The SFA must collect racial/ethnic data on an annual basis through a mechanism of their choosing. If responses to the *Off-site Assessment Tool* indicate potential problems, the

SFA will be considered noncompliant and the SA must require appropriate corrective action.

On-site Review Procedures

On-site Assessment Tool

SA findings are recorded on Questions 808-811 of the *On-site Assessment Tool*.

On-site Review

To evaluate civil rights compliance, the SA will:

- Determine whether the “And Justice for All” Poster is on display, as described below
- Determine if the non-discrimination statement appears on pertinent materials
- Review denied applications to determine if a disproportionate number of these applications were submitted by minority households. Refer to Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance* for more information.
- Observe the meal service to ensure all children are receiving equal benefits without discrimination
- Validate corrective action on-site, if necessary, if non-compliance is detected by the *Off-site Assessment Tool*

“And Justice for All” Poster

FNS Instruction 113-1 requires that participating schools prominently display the USDA nondiscrimination poster “And Justice for All”. All posters must be 11” x 17”. The poster must be placed in a location that enables program participants to read the text of the poster without obstruction. For example, the poster could be placed by the cashier, at the beginning of the serving line, over the milk cooler, or at the entrance/exit to the cafeteria.

The SA must ensure that each site selected for review has displayed the poster in an appropriate location. The SA must require corrective action if the poster is not posted or

cannot be found. The SA must provide technical assistance if the poster is posted but in an inappropriate location.

An SFA will be compliant with this review element if the “And Justice for All” poster is posted in an appropriate location at each school selected for review.

Use of Correct Non-discrimination Statement

The SA must determine if program materials contain the correct non-discrimination statement (See Question 800). Through the course of the review, examine relevant documents (Meal Benefit applications, public release, etc.) to ensure that each contains the correct non-discrimination statement.

An SFA will be compliant with this review element if all program materials contain the correct non-discrimination statement.

Composition of Denied Applications

When reviewing denied applications (See Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*), the SA must determine if a disproportionate number of these applications were submitted by minority households. If this has occurred, the SA must determine if these applications were denied for any reason other than the applications being incomplete or the household is ineligible based on income or other program requirements.

Civil Rights Meal Observation Responsibilities

The SA must determine if the SFA provides children equal benefits without discrimination regardless of their race, color, national origin, sex, age or disability on the day of review at each reviewed school during the lunch and breakfast meal services. Meal service observations must indicate no discrimination occurs regarding the protected classes of Child Nutrition Programs.

An SFA will be compliant with this review element if lunch and breakfast meal service observations on the day of review indicate that all children have equal access to the applicable programs.

Corrective Action Validation

Corrective action validation is only applicable if the Civil Rights portion of the *Off-site Assessment Tool* identifies noncompliance with civil rights requirements. Under these circumstances, the SA must immediately issue corrective action and verify on-site that the SFA has implemented corrective action as specified by the SA. The specific actions of the SA will vary on a case-by-case basis and depend upon the deficiency and the determined corrective action. If the SA determines that the approved corrective action has not been implemented or did not effectively resolve the problem, the SA must prescribe further corrective action as part of the on-site review process.

Note: Satisfactory responses to the *Off-site Assessment Tool* must not preclude the SA from correcting a civil rights deficiency found through the course of their other on-site Administrative Review responsibilities.

Technical Assistance/Corrective Action

An SFA will be compliant with the civil rights compliance Module if it meets the requirements of each review element as described above. Deficiencies the SA identifies within any of the module's review elements must result in a noncompliant civil rights evaluation. The SA must address deficiencies through the issuance of corrective action and must bring the SFA into compliance with this Module's requirements.

All deficiencies are recorded on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: General Area – SFA On-site Monitoring

Intent/Scope of Monitoring

The SA must determine whether each SFA with more than one school performs no less than one on-site review of the lunch counting and claiming system in use in each school under its jurisdiction by February 1 of each year. (7 CFR 210.8)

SFA On-site Monitoring is a component of General Areas of review.

Note: Refer to FNS Memorandum SP 14-2011, *Prototype Checklist for SFAs for Conducting Annual On-site Reviews*.

Review Procedures

Pre-Visit Review Procedures

Off-site Assessment Tool

The SFA on-site monitoring section of the *Off-site Assessment Tool* contains Questions 900-902 to assess compliance with the off-site monitoring requirements.

The *Off-site Assessment Tool* questions assess the following:

- The SFA monitors the lunch counting and claiming system in each site by February 1 of each year
- if the SFA did not meet the February 1 deadline, an extension was requested, approved, and activities completed by the extended deadline
- identified findings have corrective action

- the corrective action sufficiently addresses the problem(s)
- a follow-up is conducted within 45 days to validate that corrective action was implemented.

If an Administrative Review of the SFA is conducted prior to February 1, and the SFA has not completed on-site monitoring reviews, determine the timeline to see if the requirement will be met. If it is determined that it will not, the SA should review monitoring activity from the prior SY to determine if the SFA effectively schedules on-site monitoring to meet the February 1st completion date, or if the problem is a trend.

If the Administrative Review is conducted after the February 1 deadline, examine only the documentation for the current program year's activities. If the SFA did not complete the reviews by February 1 or the extended deadline, examine the prior year's documentation to determine if this is a trend or one-time occurrence.

On-site Review Procedures

If this area is not reviewed off-site, or if the off-site review indicates potential problems in SFA monitoring, the SA must follow up on-site. The SA should interview SFA staff to determine if the SFA monitoring requirements are fully understood and whether the SFA is in compliance with those requirements. The SA should review any documentation available on-site.

On-site Assessment Tool

Question 903 of the *On-site Assessment Tool* focuses on SFA compliance with on-site monitoring requirements. These questions address the following areas:

- Were areas requiring corrective action identified and was corrective action completed within 45 days?
- Does documentation indicate that corrective action was successful?

Technical Assistance/Corrective Action

If the lunch counting and claiming on-site monitoring activities are not completed annually by February 1, some possible corrective actions could include requesting an extension through the SA from the regional office to complete reviews in the current school year. If an extension has been requested and approved, but activities are not completed by the extended deadline, corrective action could focus on the development of a procedure and schedule for conducting the on-site review.

If identified findings do not have corrective action documented or the corrective action does not sufficiently address the problem, corrective actions could include training offered by SFA management to monitoring staff.

All deficiencies must be recorded on the *Off-site and On-site Assessment Tool, as applicable*, in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action, Module: Withholding Payments*.

Module: General Area – Local School Wellness Policy

Intent/Scope of Monitoring

Schools play a critical role in promoting children’s health, preventing childhood obesity, and preventing diet-related chronic diseases. To help foster a healthy school environment, the Healthy, Hunger Free-Kids Act requires each local educational agency to establish a comprehensive Local School Wellness Policy.

Note: The scope of monitoring may require the SA to assess how unit(s) of the local educational agency, other than the school food service, implement their Local School Wellness Policy responsibilities, as applicable.

This monitoring area falls under the General Areas of the Administrative Review.

Review Procedures

SAs are expected to assess Local School Wellness Policy compliance off-site through the *Off-site Assessment Tool*.

Off-site Assessment Tool

Questions 1000-1006 in the *Local School Wellness Policy* portion of the *Off-site Assessment Tool* assess compliance with Local School Wellness Policy requirements.

Supporting Documentation

- a copy of the current Local School Wellness Policy

- documentation demonstrating the Local School Wellness Policy has been made available to the public
- documentation of the SFA's efforts to review and update the Local School Wellness Policy, including an indication of who is involved in the update and methods the SFA uses to make stakeholders aware of their ability to participate
- a copy of the SFA's most recent assessment on the implementation of the Local School Wellness Policy

Off-site Assessment Procedures

SAs are not responsible for evaluating the quality of the SFA's Local School Wellness Policy goals or policies. The SA's responsibilities are to assess whether the:

- Local School Wellness Policy contains the required elements
- SFA has taken the required steps regarding implementation, transparency, public input and availability

Below is a list of the Local School Wellness Policy *Off-site Assessment Tool* questions.

Off-site Assessment Tool Questions

1000) Please provide a copy of the current Local School Wellness Policy.

The SA must obtain a copy of the current Local School Wellness Policy. The SA must examine the document and determine if the policy includes:

- Goals for nutrition education, physical activity, nutrition promotion, and other school-based activities to promote student wellness. Other school-based activities, for example, could include but are not limited to the dining environment, time to eat, food as a reward, etc.
- Nutrition guidelines for all foods available on the school campus
- A plan for measuring implementation
- Designation of one or more SFA officials in charge of school compliance oversight

1001) How does the public know about the Local School Wellness Policy?

The Local School Wellness Policy must be made available to the public. The SA must determine how the Local School Wellness Policy is made available to the public. For example, the Local School Wellness Policy could be on the SFA's website or distributed with other important information at the beginning of the school year. Regardless of the means, the SA must obtain documentation to support compliance (e.g., the website link, copy of distribution packet).

1002) When and how does review and update the Local School Wellness Policy occur?

The Local School Wellness Policy is required to be reviewed and updated on a periodic basis. Until FNS issues the Local School Wellness Policy regulation and subsequent technical assistance materials, what constitutes a periodic basis is at the discretion of the SA. The SA must obtain documentation demonstrating how this requirement is met. For example, if the Local School Wellness Policy is updated at an annual stakeholder meeting, documentation indicating that the meeting occurred (e.g., agenda, attendance sheet) would be appropriate.

1003) Who is involved in reviewing and updating the Local School Wellness Policy? What is their relationship with the SFA?

Parents, students, physical education teachers, school health professionals, school administrators, the school board, representatives of the SFA, and the general public must be permitted to contribute to the development, implementation, periodic review, and update of the Local School Wellness Policy. The SA must determine who is involved with reviewing and updating the Local School Wellness Policy and whether their participation meets requirements.

1004) *How are potential stakeholders made aware of their ability to participate in the development, review, update, and implementation of the Local School Wellness Policy? Provide documentation to support the response (or appropriate Web site URL).*

The SA must determine how participation from the permitted stakeholders is solicited. Documentation demonstrating outreach should be assessed. For example, the district might send out a district-wide email or post flyers in various locations to notify potential stakeholders about the opportunity.

1005) *Please provide a copy of the most recent assessment on the implementation of the Local School Wellness Policy.*

The SA must obtain a copy of the most recent assessment. The SA must examine the document and determine if the assessment includes information regarding:

- The extent to which schools are in compliance with the Local School Wellness Policy
- The progress made toward attaining the goals of the Local School Wellness Policy
- The extent to which the Local School Wellness Policy compares to a model Local School Wellness Policy. Model policies can be found at <http://teamnutrition.usda.gov/healthy/wellnesspolicy.html>

1006) *How does the public know about the results of the most recent assessment on the Implementation of the Local School Wellness Policy? Please provide a copy of the documentation necessary to support your response or appropriate Web site URL.*

The assessment must be made available to the public. How the assessment is made available is at local discretion. The SA must determine the manner in which the public is made aware of the most recent assessment on the implementation of the Local School Wellness Policy.

Technical Assistance/Corrective Action

The SA must deem an SFA compliant with the Local School Wellness Policy Module if the requirements of the review are met, as described above. Deficiencies identified within the Module's review element must result in a noncompliant Local School Wellness Policy evaluation.

Deficiencies must be addressed through documented corrective action. Corrective action is considered appropriate and sufficient when the action permanently corrects the deficiencies and brings the Local School Wellness Policy into compliance with the Module's requirements.

Note: Until the issuance of further implementation guidance and/or the publication of the Local School Wellness Policy final rule, Local School Wellness Policy noncompliance must be addressed through technical assistance only. The only exception is the absence of a Local School Wellness Policy, which must be addressed through corrective action.

The SA must record all deficiencies on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: General Area – Competitive Food Services

Intent/Scope of Monitoring

To foster healthier school environments and the integrity of school meal programs, schools cannot sell foods of minimal nutritional value during meal service (7 CFR 210.11). The Competitive Food Services Review aims to ensure that schools properly restrict the sale of such foods.

This monitoring area falls under the General Areas of the Administrative Review.

Review Procedures

The SA's responsibility is to assess whether schools offer foods of minimal nutritional value as a competitive food in any area where reimbursable meals are served and/or consumed during meal periods.

This assessment is limited to the day of review and must occur on-site during lunch and breakfast meal observations.

To evaluate compliance, the SA must:

- Observe applicable meal services
- Ensure that foods of minimal nutritional value are not available in food service areas during meal periods

On-site Review Procedures

On-site Assessment Tool

The SA must record review findings on Question 1100 on the *On-site Assessment Tool*.

On-site Review

The SA must ensure that foods of minimal nutritional value, as defined under Appendix B of 7 CFR 210 and 220, are not available in any areas where reimbursable meals are served and/or consumed on the day of review at schools selected for review.

Food service areas are anywhere reimbursable meals are served or consumed. This includes classrooms and multipurpose rooms that may double as cafeterias during meal periods.

Through the course of the meal observation at each school selected for review, the SA must determine whether foods of minimal nutritional value are available to program participants.

SAs should not make their determination based exclusively on their observation of meal serving lines, as foods of minimal nutritional value may be available in places other than meal serving lines. For example, vending machines turned on in areas where reimbursable meals are served and/or consumed must be checked for foods of minimal nutritional value. SAs must make a compliance determination at each school based on their observation and assessment of all food service areas during meal periods.

Note: Some foods of minimal nutritional value have been exempted from its foods of minimal nutritional value category by FNS. Exempted foods of minimal nutritional value may be sold a la carte as a competitive food in food service areas during meal periods.

FNS maintains a list of exempted foods of minimal nutritional value online. *Exemptions under the Competitive Food Services Regulation* is available on the FNS PartnerWeb website under the Child Nutrition Division (CND) Policy and Memoranda section within the Technical Assistance Policy Memos folder. The SA should use the most current exemption list as a resource when

uncertainty exists regarding whether a competitive food is an exempted food of minimal nutritional value.

Technical Assistance/Corrective Action

The SA must deem an SFA compliant with this Module if the SA observes that each school selected for review does not sell foods of minimal nutritional value in areas where reimbursable meals are served and/or consumed.

If SA observations at any school selected for review are to the contrary, the SA must deem the SFA out of compliance with this Module and the SA must require appropriate corrective action. In instances of noncompliance, the SA must require, at a minimum, that the school no longer sell the item(s) in question during meal services in areas where reimbursable meals are served and/or consumed.

The SA must record all deficiencies on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: General Area – School Meal Environment Report Card

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Module: General Area – Water

Intent/Scope of Monitoring

The goal of the water review is to ensure that children have access to water during the lunch service. During the on-site visit, the SA must observe and assess whether the school makes free water available to students as required.

This monitoring area falls under the General Areas of the Administrative Review.

Review Procedures

The SA's responsibility is to determine whether free potable water is available at each school selected for review during the lunch service on the day of review. Reference FNS Memorandum SP 28-2011, *Child Nutrition Reauthorization 2010: Water Availability During National School Lunch Program Meal Service*.

The SA must determine compliance on-site, by observing the lunch meal service. The SA should be able to easily incorporate these expectations alongside other lunch meal service observation responsibilities. If the SA wants to conduct a more comprehensive evaluation of water compliance beyond the basic requirements, the SA must use the alternative review methodology identified below.

On-site Review Procedures

On-site Assessment Tool

The SA must record findings on Question 1300 of the *On-site Assessment Tool*.

On-site Review

The SA's responsibility regarding water compliance is limited to the day of review at each school selected for review. The SA must assess compliance in any location where lunch meals are served.

During the lunch meal service observation, the SA must ensure that free water is available for consumption by program participants. While FNS encourages available free water at breakfast, it is not required.

Schools can provide free water in a variety of ways. For example, schools can offer water pitchers and cups on lunch tables, a water fountain, or a faucet that allows students to fill their own bottles or cups with drinking water. Any school that does not make free water available or restricts access during the lunch meal period is out of compliance. The SA must provide technical assistance and require the SFA to take corrective action.

Technical Assistance/Corrective Action

The SA must deem an SFA compliant with the water Module if the SFA meets the requirements of the review element as described above at each of the reviewed schools. If the SA identifies deficiencies at any of the reviewed schools, the SA must deem that SFA noncompliant with the water evaluation. The SFA must address deficiencies through corrective action. Corrective action is considered appropriate and sufficient when the action permanently corrects the deficiency and brings the SFA into compliance with the Module's requirements.

The SA must record all deficiencies on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: General Area – Food Safety

Intent/Scope of Monitoring

FNS recognizes SA staff are not licensed health inspectors, and therefore the intent of this review is not to conduct a review tantamount to a health inspection. However, it is the SA's responsibility to ensure that all selected schools meet the food safety requirements specified by these regulations. This includes any facility where food is stored, prepared or served for the purposes of the NSLP, SBP or other FNS programs.

Review Procedures

To evaluate compliance, the SA must complete the following:

- Review the written food safety plan for compliance with Hazard Analysis Critical Control Point (HACCP) program criteria found in 7 CFR 210.13(c)
- Determine if two food safety inspections have been obtained
- Confirm the posting of the most recent food safety inspection report
- Verify compliance with HACCP and local and state health standards
- Check temperature logs to ensure proper recordkeeping
- Examine on-site food storage for dates and condition of foods

SAs are expected to assess food safety compliance off-site and on-site.

Pre-visit Review Procedures

Food Safety Program

The SA should conduct an off-site review of the SFA's written food safety program for each of its food preparation and service facilities, based on either the traditional or process approach to

HACCP principles (7 CFR 210.13 (c)). Regardless of the HACCP approach used, the SA must review the written food safety plan to ensure that it contains the required elements of the selected approach.

The process approach requirements are explained in further detail in [Guidance for School Food Authorities: Developing a School Food Safety Program Based on the Process Approach to HACCP Principles](#). SA staff should be knowledgeable about this guidance and utilize it to determine compliance of a process approach food safety program. While FNS requires each school to have a food safety plan, the SFA may have an SFA-wide plan that applies to all of its schools.

While FNS recommends that the SFA use the process approach to HACCP to construct a food safety plan, the SA should be prepared to assess compliance with either approach. If the SFA bases the written food safety program on the traditional approach to HACCP, SA staff must compare the plan against the requirements listed under 7 CFR 210.13(c)(1). If the SFA bases the written food safety program on the process approach to HACCP, SA staff must compare the plan against the requirements listed under 7 CFR 210.13(c)(2).

Note: SFAs are required to update HACCP-based food safety programs to cover any facility where food is stored, prepared or served for the purposes of the NSLP, SBP or other FNS programs. This means the food safety program should contain standard operating procedures for safe food handling on school buses, in hallways, school courtyards, kiosks, classrooms, or other locations outside the cafeteria, as applicable.

On-site Review Procedure

On-site Assessment Tool

The SA must record findings in Questions 1400 - 1406 on the *On-site Assessment Tool*.

On-site Review

The SA must observe meal preparation and service on the day of review at the selected schools to determine whether the SFA follows the food safety program and HACCP principles.

The SA should use the statements below as a guide to make this determination.

- Proper personal hygiene is evident (e.g., hairnets, gloved hands, appropriate hand washing)
- Cross contamination is prevented
- Food temperatures are monitored
- Refrigerator and freezer temperatures are monitored
- Food preparation and service areas are clean
- Clean utensils and equipment are used for food preparation and meal service
- No obvious evidence of pests is present

Note: These statements are not exhaustive and the SA should use discretion regarding other potentially harmful observations related to proper food handling. For example, if the SFA on-site monitoring form for a selected school noted a particular food safety violation, then the SA should ensure that the same violation does not occur during the day of review. Furthermore, the SA should ensure that a copy of the food safety program is available and easily accessible to food service staff at each selected school.

The SA must deem an SFA compliant with this review element if the written food safety program meets these requirements and the SA observations correspond to the statements above and/or any additional discretionary criteria. If the SFA does not meet either of these criteria, the SA must deem the SFA noncompliant with this review element and the SA must issue appropriate corrective action.

Food Safety Inspections

FNS requires each SFA to ensure each participating school receive at least two food safety inspections each school year from the state or local agency responsible for these inspections. Typically, this is the local health department (7 CFR 210.13 (b)).

The SA should notate the date of the inspections based on the relevant food safety inspection reports. Additionally, FNS requires each school to post the most recent food safety inspection report in a publicly visible location. SAs should use a common sense approach when assessing whether the most recent food safety inspection report is visible to the public. For example, posting the report by the entrance to the cafeteria is sufficient, while posting the report by the employee-only entrance to the cafeteria is not.

If at the time of the on-site visit, the school has received zero or one food safety inspections, the SA must notate the date for the two most recent food safety inspections. Additionally, the SA must ensure that the school received two food safety inspections in the previous school year. If the school did not receive two inspections in the previous year, the SA must ensure that the SFA or school requested two food safety inspections from the responsible agency. Sufficient written documentation could be an email, letter, or fax to the appropriate authority requesting an inspection.

The SA must deem a school compliant with this review element if the school meets the following criteria:

- The SFA has received two food safety inspections in the current year OR
- The SFA received two food safety inspections in the previous school year OR
- The SFA has made a documented request to the responsible agency for food safety inspections

AND

- The most recent food safety inspection report is posted in a location visible to the public

If the SFA does not meet any of these criteria, the SA must deem the noncompliant with this review element and the SA must issue appropriate corrective action

Recordkeeping

FNS requires each school in the SFA to maintain temperature logs for a period of six months (7 CFR 210.15(b)(5)).

During the on-site visit to each selected school, the SA must ensure that the SFA maintains these documents for the prescribed period. To determine compliance at each selected school, the SA must ask the school food service personnel to provide temperature logs for one day within the past six months.

The SA must deem a school compliant with this review element if the SFA provides the aforementioned document to the SA. If this criterion is not met, the SA must deem the school noncompliant with this review element and the SA must issue appropriate corrective action.

Storage

Each SFA is required to ensure that facilities for the handling, storage, and distribution of purchased and donated foods are properly safeguarded against theft, spoilage and other loss (7 CFR 210.13(d)).

To determine compliance, the SA must observe the conditions of the on-site storage facilities of the reviewed schools. On-site storage facilities may include freezers, refrigerators, dry good storage rooms and other areas. When examining the applicable on-site facilities, the SA must be mindful of the following rules regarding proper storage practices. These statements are not exhaustive and the SA should use his or her own discretion regarding other potentially harmful observations related to proper food storage:

- Temperature is appropriate for the applicable equipment (i.e., freezer, refrigerator, milk cooler)

- Food is stored 6 inches off the floor
- The food storage facility is clean and neat
- Canned goods are free from bulges, leaks, and dents
- Chemicals are clearly labeled and stored away from food and food-related supplies
- Open bags of food are stored in containers with tight fitting lids
- The FIFO (First In, First Out) method of inventory management is used
- No obvious evidence of pests is present

The SA must deem a school compliant with this review element if the SA's observations correspond to the statements above. If the SA's observations contradict the above statements or their own discretionary criteria, the SA must deem the school noncompliant with this review element and the SA must issue appropriate corrective action.

Optional component of the storage review element:

The SA can visit off-site food storage facilities at its discretion. The SA must determine compliance using the same criteria and procedures described above.

Technical Assistance/Corrective Action

The SA must deem an SFA compliant with the Food Safety Module if the SFA meets the requirements of each review element as described above. The SA must deem the SFA noncompliant if the SA identifies deficiencies within any of the Module's review elements. The SFA must address deficiencies through corrective action that brings the SFA into compliance with the Module's requirements.

All deficiencies are recorded on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: General Area – Reporting and Recordkeeping

Intent/Scope of Monitoring

The SA must determine if reports are submitted, as required by the State agency, and maintained with other Program records for a period of three years after submission of the final claim for reimbursement for the fiscal year. If audit findings have not been resolved, the three-year period is extended as long as required for resolution of audit issues. Additionally, the record retention period required by a State may exceed the three-year period. (7 CFR 210.23(c))

These reports and records include, but are not limited to:

- agreements and free and reduced price policy statements;
- approved and denied free and reduced price meal applications;
- procedures and documentation for direct certification for free meals, if applicable;
- procedures for alternate point of service meal counts, if applicable;
- verification records including;
 - description of verification efforts,
 - documentation of verification,
 - results of verification, and
 - verification reports;
- claims for reimbursement (including supporting documentation);
- meal count participation data by school;
- documentation of edit checks, on-site reviews, internal controls; October enrollment, free and reduced price eligible data;
- menu and food production records and if applicable, nutrient analysis records;
- records of revenue and expenditure, including net cash resources

- paid lunch pricing records, including:
 - paid lunch pricing calculations; and
 - paid lunch prices reported to the State agency
- documentation of nonprogram food cost and revenue;
- a commodity school's preference to receive "cash in lieu of commodities";
- documentation associated with the local wellness policy;
- number of food safety inspections obtained per school year by each school;
- records from the food safety program for a period of 6 months following a month's temperature records;
- records from the most recent food safety inspection;
- Civil Rights complaints;
- audit reports and written responses; and any related corrective action.

For Provision 2/3, base year and all extension year records must be retained for three years following the completion of the last extension prior to returning to standard meal counting and claiming. When evaluating a non base year, the reviewer should expect to find the following Provision 2/3 records available for review:

- Total daily meal counts of reimbursable meals;
- Edit check and on-site review documentation; and
- Reimbursement claims.

If a SA determines the required base year and/or non base year records for a participating school have not been maintained, the SA must require the school to return to standard meal counting and claiming procedures and/or calculate fiscal action. (7 CFR 245.9(g))

Electronic record keeping is an allowed form of record storage.

For a list of base year and non base year records, refer to *Provision 2 Guidance, Chapter 8*.

Review Procedures

On-site Review Procedures

On-site Assessment Tool

Questions 1500-1502 on the *On-site Assessment Tool* assess compliance with reporting and recordkeeping requirements.

As the SA is reviewing other areas, it should assess compliance with the applicable reporting and recordkeeping requirements in order to answer Questions 1500-1502 of the *On-site Assessment Tool*.

Technical Assistance/Corrective Action

The SA must deem an SFA noncompliant with this review element if it does not meet the above requirement. The SA must provide technical assistance and require corrective action to bring the SFA into compliance with the outreach requirements. The SA must document any technical assistance provided to the SFA and ensure required corrective action is timely and adequate.

The SA must record all deficiencies in the comment sections of the *On-site Assessment Tool*.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Module: General Area – SBP and SFSP Outreach

Intent/Scope of Monitoring

SFAs must inform eligible families of the availability of reimbursable breakfasts served under the SBP and Summer Food Service Program (SFSP). At the beginning of the school year, the SFA must send all households informational packets with free and reduced-price meal applications. In addition, schools must send reminders regarding the availability of the SBP multiple times throughout the school year.

Schools may provide reminders to children through their public address systems or through means normally used to communicate with the households of enrolled children. Other acceptable outreach activities may include developing or disseminating printed or electronic material to families and school children. For example, information about the SBP and SFSP should be posted on the school's website.

The goal for monitoring this area is to determine if the SFA conducts the required outreach activities to increase participation in the SBP and SFSP.

The SA conducts a review of the SBP and SFSP outreach as part of the General Area within the Administrative Review.

Review Procedures

SAs are expected to assess SBP and SFSP outreach activities off-site through the *Off-site Assessment Tool*.

Off-site Assessment Tool

The SA must record findings on Question 1600-1601 of the *Off-site Assessment Tool* and Question 1602 of the *On-site Assessment Tool*.

Off-site Review

The SA must review materials and documentation of the SFA's SBP and SFSP outreach activities for the current school year to determine if the SFA's efforts are consistent with outreach requirements. The SA may monitor this area off-site with no additional field work.

SBP

The SA must determine if the information provided through the Tool and supporting documentation establishes that the SFA conducted the required SBP outreach.

Schools participating in the SBP must inform families of the availability of breakfasts. Schools must relay a notification of the availability of school breakfasts just prior to or at the beginning of the school year in the informational packets that are sent to each household with free and reduced-price meal applications. In addition, schools should send reminders regarding the availability of the SBP multiple times throughout the school year.

SFSP

The SA must determine if the information provided through the Tool and supporting documentation establishes that the SFA conducted the required SFSP outreach.

FNS requires schools to conduct SFSP outreach before the end of the school year to ensure that eligible families are informed of the availability and location of SFSP meals.

If the SFSP is administered by a different SA, the two SAs must work cooperatively to inform eligible families of the availability and location of SFSP meals.

Technical Assistance/Corrective Action

The SA must deem an SFA noncompliant with this review element if it does not meet the above requirement. The SA must provide technical assistance and require corrective action to bring the SFA into compliance with the outreach requirements. The SA must document any technical assistance provided to the SFA and ensure required corrective action is timely and adequate.

The SA must record all deficiencies on the *Off-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Section VI: Other Federal Program Reviews

Modules contained within this Section include:

- Afterschool Snacks
- Seamless Summer Option
- Fresh Fruit and Vegetable Program
- Special Milk Program

Module: Afterschool Snacks

Intent/Scope of Monitoring

The SA's review is intended to ensure participating schools serve students nutritionally-balanced snacks, provide appropriate activities, and count and claim snacks accurately. The SA must examine afterschool snack documentation for each school selected for the Administrative Review that operates the snack program. On-site observation of afterschool snack service is at the SA's discretion.

If a school selected for an Administrative Review does not operate the afterschool snack program, the SA does not conduct this review.

Review Procedures

The SA review of afterschool snacks may be conducted off-site or on-site, at SA discretion, using the *Supplemental Afterschool Snack Program Administrative Review Form*.

To evaluate compliance, the SA must:

- Verify school eligibility
- Ensure an accurate counting and claiming system is in place
- Make sure that snacks meet snack service and nutritional requirements (7 CFR 210.10(o))
- Confirm that the SFA conducts self-monitoring activities twice per year (7 CFR 210.9(c)(7))

- Make certain that food safety and civil rights requirements are met (7 CFR 210.13(c) and 210.23(b), respectively)

School Eligibility

The SA must ensure that:

- Schools serve snacks in an afterschool care program that offers educational or enrichment activities
- At area-eligible schools, the SFA maintains documentation that the school is located within the geographical boundaries of a school in which 50% or more of the enrolled students are certified eligible for free or reduced-price meals
- Schools serve snacks only after the end of the school day, unless the school operates an Expanded Learning Time Program. Reference FNS Memorandum SP-04-2011, *Eligibility of Expanded Learning Time Programs for Afterschool Snack Service in the National School Lunch Program (NSLP) and Child and Adult Care Food Program (CACFP)* for additional information.

Afterschool Snacks may be offered at two types of sites:

- **Area-Eligible Sites:** the site is at a school or located within the attendance area of a school in which at least 50% of enrolled students are certified for free or reduced-price meals. Snacks are served free to all children, and reimbursed at the free rate.
- **Non Area –Eligible Sites:** Snacks are served at free, reduced-price, and paid rates based on approved eligibility

Counting & Claiming

The SA must ensure that:

- The school maintains documentation that supports the number of snacks it serves daily and claims for reimbursement
- The school has safeguards in place to ensure that it claims only one snack per child per day for reimbursement
- The school's snack orders, delivery records, and production records support the number of snacks it claims for reimbursement

- The school counts adult snacks (including snacks served to students ineligible due to age limitations) separately from student snacks, as the former are not eligible for reimbursement;
- The school monitors age eligibility requirements of students receiving snacks to ensure compliance; students are eligible through age 18 or until the end of the school year if the 19th birthday occurs during the year; students determined to have a mental or physical disability are not subject to age limits
- The SFA provides an accurate count of snacks served each month at each school to the SA by the established due date for the monthly reimbursement claim
- The SFA transfers eligibility status of each student accurately to the roster; for example, compare the point-of-service meal counts to the benefits issuance roster
- The SFA keeps snack counts on file for three years

Snack Service and Nutrition Requirements

The SA must ensure that:

- Snack menus comply with meal pattern requirements
- SFAs plan/prepare snacks consistently with the one snack per child rule
- Production records reflect that menus meet serving size requirements
- Schools complete production records each day
- Schools price each snack as one unit
- Schools charge no more than \$0.15 for a reduced-price snack

Note: The meal pattern requirements for afterschool snacks differ from that of the NSLP; however, milk offered in the snack service must be unflavored/flavored fat-free milk or unflavored low-fat milk. Unlike NSLP, schools are not required to offer two varieties of milk for afterschool snacks. While FNS does not require schools serving snacks to adopt aspects of the NSLP meal pattern, schools are strongly encouraged to do so. This includes offering increased fruits, vegetables, and whole grain-rich foods. Reference FNS Memorandum SP 10-2012 – Revised,

Questions & Answers on the Final Rule, “Nutrition Standards in the National School Lunch and School Breakfast Programs.”

SFA Afterschool Snack Review

The SA must ensure that:

- The SFA conducts a self-review of each afterschool snack operation twice per year
 - The SFA conducts the first self-review during the first four weeks that the afterschool snack program begins each school year;
 - SFA conducts the second self-review of the afterschool snack program prior to the end of each school year

Note: This requirement is distinct from the SFA On-Site Monitoring requirements described in Section V: *General Program Compliance*, Module: *SFA On-site Monitoring*.

Food Safety and Civil Rights

The SA must ensure that food safety and civil rights standards are met. Reference Section V: *General Program Compliance*, Module: *Civil Rights* and Module: *Food Safety*, for additional details.

On-site Review Procedures (optional)

On-site observation of afterschool snack service is at the SA’s discretion.

On-site Afterschool Snack Service Observation

When observing the snack service, the SA must verify information obtained during the documentation review. In addition, the SA must observe afterschool snack service is following all the program requirements in the previous four sections:

- School Eligibility
- Counting and Claiming
- Snack Service and Nutrition Requirements
- Food Safety and Civil Rights

Recording Errors

SAs must record errors identified during the review on the *Supplemental AfterSchool Snack Program Administrative Review Form*, and the *On-Site Assessment Tool* (Question 1700). These may include errors that occur outside of the claiming period or errors for other affected schools outside of the Administrative Review.

Technical Assistance/Corrective Action

The SA must provide technical assistance and require corrective action for all problems it identifies to bring the afterschool snack operation into compliance.

The SA must note technical assistance provided and any findings on the *Supplemental Afterschool Snack Program Administrative Review Form* regardless of when the school corrects the problem.

Fiscal Action

SAs must take fiscal action for any Claim for Reimbursement that is not properly payable. FNS requires fiscal action if:

- The school claims snacks for adults or ineligible students (e.g., age limitations)
- The school claims snacks that are missing a component (e.g., only graham crackers are served)

Fiscal action is recorded on *Other Meal Claim Errors*, Form S-2 and the *Fiscal Action Workbook*, FA-1, FA-2, FA-3.

FNS does not require, but encourages SAs to take fiscal action for schools with repeated milk type violations (i.e., higher fat content milk, flavoring) as described under Review Procedures,

“Snack Service and Nutrition Requirements” in this Module. Refer to Section VIII: *Fiscal Action*, for detail on what constitutes a repeat violation.

Module: Seamless Summer Option

Intent/Scope of Monitoring

The Seamless Summer Option (SSO) permits SFAs participating in the NSLP and/or SBP to serve meals during summer and/or other school vacation periods using the same meal service rules and claiming procedures they use during the regular school year.

The SA determines SSO compliance in the same manner it assesses the NSLP and SBP, i.e., the SA collects information about program operations and compares its findings to Performance Standard 1, Performance Standard 2, and the General Areas. During the review, SA staff must ensure that the SFA and its participating sites are compliant with meal counting, claiming, menu planning, and food safety requirements established in 7 CFR 210 and 220.

Review Procedures

The SA review of SSO is conducted off-site and on-site.

Pre-Visit Review Procedures

Scheduling

If an SFA operates one or more SSO sites, the SA must select and review at least one SSO site as part of the Administrative Review. If the reviewed schools do not operate the SSO, the SA must select an additional SSO site for review.

The SA may conduct the SSO review the summer before or after the school year in which an SFA's Administrative Review is scheduled; however, FNS encourages SAs to conduct the SSO

review during the summer after the SFA's Administrative Review. That way, SAs benefit from the context of the SFA's Administrative Review, which may streamline the SSO review.

Early planning and communication between the SA and SFA is crucial in scheduling a SSO review. As soon as possible, the SA must contact the SFA to determine SSO sites, if any, and obtain the operating schedule. It is important to schedule the site review early because SFAs typically operate the SSO for limited periods.

Assessment Form

- Supplemental Seamless Summer Option Administrative Review Form

Off-site Review Procedures

The SA may utilize any pertinent information derived from Administrative Review activities. For example, a SA may evaluate Food Safety and Civil Rights during the Administrative Review and, therefore, would not need to reassess these areas separately during a SSO review or, a SA may review menus and production records off-site prior to the on-site visit.

Site Eligibility

A variety of sites may serve children meals under the SSO (see Text Box at right).

When applying to operate the SSO, SFAs must provide data to the SA to establish site eligibility. The SA must ensure that the SFA

What type of sites can operate the Seamless Summer Option?

FNS allows the following types of sites to operate the SSO:

- **Open site:** A school or non-school site located within the geographical boundaries of a school, where at least 50% of students are eligible for free and reduced-price school meals; SAs may also approve SFAs as open sites based on census data; all meals are served free at open sites
- **Restricted, open site:** A site that meets the open site criteria, but is restricted for safety, control, or security reasons; all meals are served free at open sites
- **Closed, enrolled site:** A site that meets the 50% criteria, explained above, but serves only children in a specific program or activity, excluding academic summer school programs; all meals are served free. Academic summer schools are excluded
- **Migrant site:** Serves children of migrant families, as certified by a migrant coordinator; all meals are served free
- **Camps:** Residential or non-residential day camps that offer regularly scheduled food service as part of an organized program for enrolled children; eligibility must be established for each child enrolled based on information from their schools, household income applications, or direct certification; meals are free for students eligible for free or reduced-price meals and paid meals are not reimbursed.

maintains this documentation. For sites that serve free meals based on area eligibility, the SA must ensure that the SFA maintains documentation that the site is located within the geographical boundaries of a school in which 50% or more of the enrolled students are certified eligible for free or reduced-price meals, based on income eligibility applications or other documentation of categorical eligibility. SFAs may also use census data to establish eligibility. FNS must approve other sources of data SAs may use to determine eligibility.

At sites where eligibility is based on household income applications or direct certification (e.g., camps), the SFA must collect and maintain appropriate documentation eligibility. The SFA may receive reimbursement only for meals served to children through age 18 who are eligible for free or reduced-price meals. Reimbursement for meals served to eligible children is at the free rate. No reimbursement is provided for meals served to paid children.

Advertisement

The SA must ensure that the SFA makes a reasonable effort to advertise the availability of free meals and the location to children in the community, and that all advertising materials contain the required non-discrimination statement. Refer to the Section V: *General Program Compliance*, Module: *Civil Rights*, for the most current version of the nondiscrimination statement.

SFA Self-Monitoring

SFAs are required to review all SSO sites at least once a year. The SA must examine the SFA's self-monitoring forms to ensure required self-monitoring takes place.

On-site Review Procedures

Meal Counting & Claiming

When observing meal counting and claiming, SAs must:

- Count the number of reimbursable meals served at the actual point-of-service; meal counts must represent only complete meals served to children

- Assess the site’s procedures for counting and claiming by comparing meal counts on the day of review to the last full week of operation from the review period
- Ensure camps claim free reimbursement only for meals served to free- or reduced-price-eligible children
- Determine if the site transfers each child’s eligibility status accurately to the roster; for example, compare the point-of-service meal counts to the benefits issuance roster.

If the SA identifies problems with counting and claiming, the SA must validate the site’s most recent claim.

In year-round SSO sites, the school or site must differentiate between SSO meals and NSLP/SBP meals.

Menu Planning & Meal Service

The SFA must plan meals using a food-based menu planning approach.

When assessing meal service, the SA must:

- Review menus and production records to determine how meals contribute to meal pattern requirements (Reference Section III, *Nutritional Quality and Meal Pattern*, Module, *Meal Components and Quantities*, for additional information)
- Assess how the site differentiates between age/grade groups and provides age-appropriate meals
- Ensure that children eat meals onsite, except where otherwise permitted by the SA, such as a school, park, church, or recreation center
- Ensure that the site serves eligible children in attendance one meal before it offers seconds
- Verify that the site has proper food safety measures in place (Reference Section V, *“General Program Compliance”*, Module: *Food Safety*, for additional information)
- Make sure the site serves meals during the meal service times approved by the SA

- If applicable, make sure that the site makes alternate arrangements for meal service in inclement weather

SFAs may allow Offer versus Serve at SSO sites, but FNS does not require it. As in NSLP, second lunches are not reimbursable. However, sites may serve any excess breakfasts as seconds to eligible children and claim for reimbursement in accordance with 7 CFR 220.9.

Technical Assistance /Corrective Action

The SA must provide require corrective action and provide technical assistance for all problems it identifies to bring the SSO operation into compliance. Effective technical assistance includes helping the site manager identify deficiencies and necessary corrections to ensure the site does not repeat errors.

For all findings, SAs must follow the same corrective action and technical assistance procedures that apply to the NSLP and SBP.

SAs must provide technical assistance if a SA finds that the SSO site does not take steps to differentiate between age/grade groups. For example, the site may post signs instructing students in specific age/grade groups which meals and/or components to select.

Fiscal Action

The SA must assess fiscal action for all critical violations identified in an SSO review. FNS requires fiscal action as described below. For additional information, refer to Section VIII, *Fiscal Action*.

Site Eligibility & Meal Counting/Claiming

For site eligibility, and/or meal counting and claiming problems, the SA must evaluate the specific problem and site requirements, and assess fiscal action. For example, if a SA finds that a camp claims paid meals for reimbursement, the SA would reclaim or disallow the reimbursement for paid meals.

Meal Components

A SA is required to take fiscal action when a meal component is missing. The SA must also require the SFA and/or school reviewed to take corrective action for the missing component. If the site already has a corrective action plan in place, the SA may limit fiscal action from the point corrective action begins back through the beginning of the review period for errors identified in 7 CFR 210.18 (g)(2).

For repeated violations involving vegetable subgroups and/or milk type cited in 7 CFR 210.18 (g)(2), the SA must take fiscal action.

Fiscal action does not apply to food quantity errors related to age/grade groups in the SSO.

For repeated violations involving whole grain-rich foods cited in 7 CFR 210.18 (g)(2), the SA has discretion to apply fiscal action.

In general, for repeated violations, the SA may take fiscal action provided that:

- The SA has given technical assistance
- The SA has previously required and monitored corrective action
- The SFA remains in noncompliance with the meal requirements established in 7 CFR 210 and 220

Performance-based Certification Funding (6 cents)

In addition to fiscal action described above, the SA must not permit the SFA to earn performance-based cash assistance unless immediate corrective action occurs. Absent immediate corrective action, the SFA will not be eligible for the 6 cents per lunch reimbursement with the beginning of the month following the administrative review and, at State discretion, for the month of review. Performance-based cash assistance may resume beginning in the first full month the school food authority demonstrates to the satisfaction of the State agency that corrective action has taken place. See FNS Memorandum, SP-31-2012, 3rd Revision, *Child Nutrition Reauthorization 2010: Questions and Answers Related to the Certification of Compliance with Meal Requirements for the National School Lunch Program*, (01-22-2013) for additional guidance on what constitutes immediate corrective action.

Module: Fresh Fruit and Vegetable Program

The Fresh Fruit and Vegetable Program (FFVP) aims to increase children's exposure to and consumption of a variety of fruits and vegetables. FNS intends the review of the program to ensure that participating schools are proper stewards of federal funds and operate the program as prescribed by FNS.

This monitoring area falls under the General Areas of the Administrative Review.

Intent/Scope of Monitoring

To evaluate compliance, the SA must:

- Use the prescribed methodology to establish the FFVP school review sample size
- Validate one claim for reimbursement for each FFVP school selected for review (e.g., review supporting documents such as invoices)
- Observe the FFVP in each of the schools selected for review, if applicable

Review Procedures

FFVP Site Selection Methodology

Of the schools selected for an Administrative Review, the SA must select FFVP schools for a FFVP review based on the table below.

Number of Schools Selected for an NSLP Administrative Review That Operate the FFVP	Minimum Number of FFVP Schools to be Reviewed
0 to 5	1
6 to 10	2
11 to 20	3
21 to 40	4
41 to 60	6
61 to 80	8
81 to 100	10
101 or more	12*

* Twelve plus 5 percent of the number of schools over 100. Fractions must be rounded to the nearest whole number.

For example:

Twenty schools within XYZ SFA are selected for an NSLP Administrative Review. Of the 20 schools selected, 7 also operate the FFVP. Using that information in concert with the above chart, the SA would review two of the seven FFVP schools also selected for an NSLP Administrative Review.

Note: FFVP school selection is determined by the NSLP schools selected for review and occurs after the NSLP school selection process has been completed. NSLP schools selected for review are either: chosen automatically under the requirements of 7 CFR 210.18(e)(1) and (e)(2)(i); chosen according to SA discretionary criteria under 7 CFR 210.18(e)(2)(ii); or a combination of the two. When none of the schools selected for an NSLP Administrative review operate the FFVP, but the FFVP operates elsewhere within the SFA, the State agency must follow the procedures below to ensure that at least one FFVP school is reviewed during an NSLP Administrative Review.

1. When the NSLP schools selected for review is comprised solely of schools chosen automatically under the requirements of 7 CFR 210.18(e)(1) and (e)(2)(i), the SA will have to review the FFVP at a school that is not receiving an Administrative Review. FFVP is the only program that would need to be reviewed at this additional school.
2. When the NSLP schools selected for review is comprised solely of schools chosen according to SA discretionary criteria under 7 CFR 210.18(e)(2)(ii), the SA will have to

replace one of the schools selected for an Administrative Review with a school that has similar characteristics that operates the FFVP. If that is not possible, use the process identified in no. 1 above.

3. When the NSLP schools selected for review are comprised of schools chosen both automatically under the requirements of 7 CFR 210.18(e)(1) and (e)(2)(i) and according to SA discretionary criteria under 7 CFR 210.18(e)(2)(ii), the SA will have to replace one of the schools selected for Administrative Review according to SA discretionary criteria with a school that has similar characteristics that operates the FFVP. If that is not possible, use the process identified in no. 1 above.

Off-site Review Procedures

Claim validation

The SA must validate one Claim for Reimbursement for each FFVP school selected for review. FNS strongly recommends that the SA complete the claim validation off-site. However, claim validation can occur on-site as well. The SA may select any month in which a school has submitted a claim in the current school year. The SA does not have to select the same claim month for each of the FFVP schools selected for review. If a school has not submitted a claim for the current school year, the SA must select a claim from the previous school year.

Once the SA receives this information, the SA proceeds to validate the school's FFVP Claim for Reimbursement for the selected month. The SA must compare the total cost claimed for reimbursement against the total cost established by the supporting cost documentation.

If these two totals are the same and the reported costs are allowable, then the SA validates the claim and the FFVP school is compliant with this review element. If these two totals are not the same or contain unallowable costs, then the SA does not validate the claim and the FFVP school is out of compliance with this review element.

While examining the supporting cost documentation during the claim validation process, the SA must provide technical assistance if the documentation does not indicate the following:

- The school uses the majority of funds to purchase fresh produce
- The school carefully reviews and prorates equipment purchases
- Labor costs and all other non-food costs are minimal

Prior to completing the claim validation, the SA must examine payment system records for the year-to-date administrative costs charged to each reviewed school's total FFVP grant. The SA must ensure that each school is on track to charge no more than 10% of the total grant to administrative costs.

Note: If the SA validates FFVP claims when the FFVP claim is submitted for payment, further claim validation during an Administrative Review is not required.

On-site Review Procedures

On-site Review Form

The SA must record findings in Questions 1900-1902 (review period), 1903-1910 (day of review) on the *On-site Assessment Tool*.

On-site Review

The SA must observe the FFVP operation in each of the selected schools. While the FFVP food service may occur in multiple locations within a participating school, the SA is only required to observe one such location. Visits to additional classrooms or other locations (i.e., kiosks, vending machines, school hallways) are at the SA's discretion. Through the course of the observation, the SA must use the statements below to determine whether the school operates the FFVP properly on the day of review.

- The FFVP is available to all enrolled children
- The FFVP is free of charge

- The school offers FFVP within the school day, but outside the meal service times of the NSLP and SBP
- The school widely publicizes the FFVP
- The school does not allow frozen, canned, dried and other types of processed fruits
- The school does not allow the following products: fruit/vegetable juice, nuts, cottage cheese, trail mix, fruit or vegetable pizza, smoothies, fruit strips, drops or leather (See the FNS FFVP Handbook for a more exhaustive list)
- The school provides dip for vegetables only and is either low-fat or fat-free and no larger than two tablespoons
- The school does not provide fresh fruits and vegetables to adults except for teachers who are in the classroom with students during the FFVP food service
- The school offers cooked vegetables no more than once per week and only when included as part of a nutrition education lesson
- The FFVP food service follows HACCP principles and applicable sanitation and health standards. Reference Section V: *General Program Compliance*, Module: *Food Safety* for further information.

The SFA is compliant with this review element if the SA's observations on the day of review at each of the FFVP schools selected for review correspond to the statements above. If the SA's observations at any of the FFVP schools contradict the statements above, the SA will deem the SFA noncompliant with this review element and the SA must issue appropriate corrective action.

Corrective Action

The SA will deem an SFA noncompliant if the SA does not meet any of these requirements. The SA must issue corrective and fiscal action to bring the SFA into compliance.

The SA may suspend or terminate the FFVP in an SFA or school for repeated failure to meet program requirements, as documented by the SA.

All deficiencies must be recorded on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference. FFVP errors are recorded on the *Other Meal Claim Errors Form, S-2*.

Fiscal Action

The SA must disallow any portion of a claim for reimbursement and recover any payment made to an SFA that was not properly payable according to FFVP requirements. Unsupported costs and/or unallowable costs must be recorded on the applicable *Fiscal Action Workbook* (FA-1, FA-2, FA-3).

Module: Special Milk Program

Intent/Scope of Monitoring

The Special Milk Program (SMP) provides milk to children in schools, residential child care institutions and eligible camps that do not participate in other Federal child nutrition meal service programs. The Program reimburses schools and institutions for the milk served to eligible children. Schools participating in the NSLP or SBP may also participate in the SMP to provide milk to children in half-day pre-kindergarten and kindergarten programs where children do not have access to the school meal programs.

The intent of monitoring the SMP is to determine whether the SFA is operating the program in compliance with regulatory requirements and in accordance with the SA approved agreement. The SA must examine SMP documentation for each school selected for the Administrative Review that operates the SMP. On-site observation of the SMP is only required if issues are discovered during the documentation review or with meal counting and/or claiming of the NSLP or SBP.

If a school selected for an Administrative Review does not operate the SMP, the SA does not conduct this review.

Review Procedures

The SA must evaluate the pricing policy, counting and claiming, milk service procedures and record keeping in SMPs operating in the sites selected for the Administrative Review, if applicable. The SA review of the SMP may be conducted off-site or on-site, at SA discretion.

Assessment Form

Complete the Supplemental *Special Milk Program Review Administrative Review Form* either off site, through telephone contact or e-mail or complete on site

To evaluate compliance, the SA must:

- Review the pricing policy
- Confirm the SFA is operating its approved SMP option
- Make sure counting and claiming procedures yield accurate claims
- Determine that records are retained for three years or until resolution of audits

Pricing, Counting & Claiming

The SA must ensure that:

- The school prices milk in accordance to FNS policy
- The school/SFA maintains documentation that supports the number of milks it serves daily and claims for reimbursement
- Milk orders and delivery records support the number of milks it claims for reimbursement
- The purchase price of milk on the most recent claim for reimbursement matches the purchase price reflected on invoices
- The SFA provides an accurate count of milks served each month at each school to the SA by the established due date for the monthly reimbursement claim
- The SFA transfers eligibility status of each student accurately to the roster; the SA may do this by comparing the point-of-service milk counts by student/benefit category to the benefits issuance roster to ensure that students receiving free milks are listed as eligible on the benefits issuance roster
- The SFA retains records for three years

Refer to Section II: *Meal Access & Reimbursement*, Module: *Meal Counting and Claiming* for more in-depth guidance regarding and counting and claiming.

On-Site Review Procedures

On-site observation of the SMP is only required if issues are discovered during the SMP documentation review or with meal counting and/or claiming of the NSLP or SBP.

On-site Assessment Form

Special Milk Program Review Administrative Review Form

On-Site Special Milk Program Service Observation

When observing the milk service, the SA must verify information obtained during the documentation review. In addition, the SA must observe milk service to ensure that:

- The school takes a point-of-service milk count and records milk correctly
- Milk counts by category for the day of review do not vary unreasonably in comparison to the previous five days

Technical Assistance/Corrective Action

The SA must provide technical assistance and require corrective action for all problems it identifies to bring the SMP operation into compliance. Effective technical assistance includes helping the SFA identify deficiencies and necessary corrections to ensure the school/SFA does not repeat errors.

The SA must record errors on the *Supplemental Special Milk Administrative Review Form* and the *On-site Assessment Tool* (Question 2000).

Fiscal Action

SAs must take fiscal action for any claim for reimbursement that is not properly payable. FNS requires fiscal action for all certification, and counting and claiming errors.

The SA must record counting and claiming errors on *Other Meal Claim Errors*, Form S-2, and the *Fiscal Action Workbook*, Form FA-1, FA-2, FA-3 if necessary.

Section VII: Post–Review Procedures

The Modules in this Section are:

- Administrative Review Exit Conference
- Administrative Review Report
- Documented Corrective Action

Module: Administrative Review Exit Conference

Intent/Scope

At the conclusion of the on-site portion of the Administrative Review, the SA must hold an exit conference to notify SFA staff of any program violations identified, the extent of the violations, and a preliminary assessment of the actions needed to correct the violations. The SA must address appropriate deadlines for completion of corrective action.

Corrective Action Plan

The exit conference is an opportunity to establish an agreed-upon Corrective Action Plan that identifies the needed corrective action and the timeframes for those actions. The SA must allow for SFA input on corrective action approaches that will achieve the desired result. The SA must offer technical assistance for deficiencies cited.

The Corrective Action Plan must identify the following:

- The identified finding(s)
- The corrective action(s) required
- The timeframe(s) by which the corrective action(s) must be completed

Any documentation the SA expects the SFA would to provide to demonstrate corrective action was completed

Documented Corrective Action

The SA must explain to the SFA that corrective action determines the extent of the fiscal action taken, and stress the importance of implementing corrective action in a timely manner. The SA should make every effort to provide the SFA with a summary of the noted compliance areas to facilitate the immediate development of corrective action. The SA may accept documented

corrective action at the time of the Administrative Review, or the SFA may submit documented corrective action as described in the Module: *Documented Corrective Action* found later in this Section.

Fiscal Action

The SA must explain how fiscal action is calculated. The SA has the option to discuss a potential claim amount. The SA must explain that withholding of payments results if the SFA does not take corrective action. If applicable, the SA must explain the SFA's right of appeal. (7 CFR 21018(j))

Cooperative Effort

The SA should acknowledge the cooperation of all persons involved in the review process, and inform the SFA as to when it can expect to receive the notification letter reporting review results.

Module: Administrative Review Report

Intent/Scope

After the review/exit conference, the SA must provide written notification of the review findings to the SFA's superintendent (or equivalent in a non-public SFA) or authorized representative. The SA has the option to combine the written notification with the letter of claim adjustment/notice of appeal if the SFA has already completed corrective action

Required Content

Required and suggested content items follow. *indicates required items

- Team composition and leader
- Appreciation and commendation to school personnel who participated in the review
- Restatement of purpose of review and description of review process
- Name and telephone number of SA contact person
- Review findings as discussed at the exit conference and any review findings found in the post evaluation review*
- The Corrective Action Plan identifying corrective actions, timeframes for the completion of corrective action, instructions to document corrective action taken by the SFA, and an indication that findings must be corrected system-wide*
- Timeframes for completion of the corrective action*
- Potential for fiscal action provided in general or specific terms*
- Date(s) of review and date of exit conference*
- Description of the SFA's right to appeal the denial of all or a part of the Claim for Reimbursement or withholding of funds
- Possibility of a follow-up review should corrective action not be completed or to verify corrective action was completed system-wide, as appropriate

Module: Documented Corrective Action

Intent/Scope

In order for the SA to close out the Administrative Review for an SFA, it must obtain documented corrective action from the SFA for any degree of finding in either the Critical or General Areas that the SA identifies during an Administrative Review. Documented corrective action should also include any program violations identified outside the scope of an Administrative Review.

Unless the SFA provides documented corrective action at the time of the Administrative Review, the SFA must send written notification to the SA certifying that it has completed the corrective action required for each finding, as well as corresponding dates of completion.

The SA makes the determination as to whether/when the SFA satisfactorily corrected a problem.

Extension of Corrective Action Timeframes

The SA may extend the timeframes established for corrective action upon written request (either electronically or hard copy) of the SFA if extraordinary circumstances arise where a SFA is unable to complete the required corrective action within the specified timeframes.

Timeframes

The SFA must postmark or submit documented corrective action to the SA no later than 30 days after the established deadline for completion of each required corrective action, or as otherwise extended by the SA.

Section VIII: Fiscal Action

The Modules in this Section are:

- Overview of Fiscal Action
- Fiscal Action Formula
- Withholding Payments
- Overpayment Disregard
- Letter of Claim Adjustment and/or Withholding of Payment
Including Notice of Appeal

Module: Overview of Fiscal Action

Intent/Scope

SFA claims for reimbursement must accurately reflect the number of reimbursable meals served to eligible children, by type, for any given day. When conducting an Administrative Review, SAs must identify the SFA's correct entitlement and take fiscal action when any SFA claims or receives more Federal funds than earned under 7 CFR 210.7. SAs should contact their FNS Regional Office if they need additional help or clarification with fiscal action.

Fiscal action means the recovery of overpayment through direct assessment or offset of future claims, disallowance of overclaims as reflected in unpaid claims for reimbursement, submission of a revised claim for reimbursement, and correction of records to ensure that unfiled claims for reimbursement are corrected when filed. (7 CFR 210.19(c))

Each Section of the Guidance contains Module-specific information related to fiscal action, e.g., Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*. The SA must be familiar with the information included within those Modules in addition to the information in this Section.

General Information

Duration of Fiscal Action

When fiscal action is required for violations of Performance Standard 1 and Performance Standard 2, the SA may limit fiscal action from the point corrective action occurs back through the beginning of the review period. The SA may extend fiscal action back to the beginning of the school year or to that point during the current year when the infraction first occurred. Based on the severity and longevity of the problem, the SA may extend fiscal action back to

previous school years, as applicable. Reference the regulatory authorities affecting the duration of fiscal action, described in the paragraph, *Authorities*.

Period of Review

Fiscal action may be applied to either open or closed periods of review.

- A “Closed Period of Review” means the most recent month for which a Claim for Reimbursement was submitted or, any month prior to the Closed Period of Review for which a Claim for Reimbursement has been submitted; provided that such month(s) covers at least 10 operating days.
- An “Open Period of Review” means the month during which the on-site review occurs. The Claim for Reimbursement for an open period of review has not been submitted.

Fiscal Action and the Period of Review

The fiscal action formula, described below, results in a comparison between

- the SA’s assessment of the reimbursement to which a reviewed school(s) is entitled for any closed period of review, based on production records, invoices, eligibility documents, observation, etc. and
- the Claim(s) for Reimbursement made by the reviewed school(s) for the same closed period of review.

Fiscal action is also calculated for an open period of review using the same basic formula approach. However, since meals observed by the SA, during this period have not yet been claimed, fiscal action cannot be calculated to recover funds. Instead, fiscal action is calculated to ensure that the Claim for Reimbursement, when submitted by the SFA, is adjusted to account for errors identified by the SA.

Fiscal Action Formula

The *Module: Fiscal Action Formula* describes the method used to determine fiscal action for the NSLP and SBP. The SA must calculate fiscal action separately for each school and program reviewed. The *Fiscal Action Workbook* (FA-1, FA-2, FA-3) provides separate tabs for standard scenarios, special provisions, and other errors for each program. The formula described below can be used to calculate fiscal action to recover funds for one or more claim periods, or to correct claims before they are submitted for reimbursement.

To apply the formula in standard situations, the SA must obtain the following information during the off-site/on-site reviews:

- The number of meals claimed by the SFA for the reviewed schools, by type (free, reduced-price, and paid) (See SFA-1, 5C and 6C for NSLP and SFA-1, 7C and 8C for SBP).
- Upward or downward adjustments needed to the SFA's meal counts for the reviewed schools, by type, due to counting or consolidation errors (See SFA-1, 5B and 6B for NSLP and SFA-1, 7B and 8B for SBP).
- The number of non-reimbursable meals claimed by the SFA for the reviewed sites (See SFA-1, 5A and 6A for NSLP and SFA-1, 7A and 8A for SBP).
- The SFA's count of reviewed students eligible for free and reduced-price meals (See SFA-1, 4D).
- The SA's independent count of reviewed students eligible for free and reduced-price meals (See SFA-1, 4E).

Consolidation Errors at SFA Level

SFA consolidation and meal claiming errors are recorded on the applicable *Fiscal Action Workbook* (FA-1, FA-2, FA-3). Refer to Section II: *Meal Access and Reimbursement*, *Module: Meal Counting and Claiming* for more information on the monitoring of meal counting and claiming.

Fiscal Action for Provision 2, Provision 3, and Community Eligibility Provision

For Provision 2 and Provision 3 schools undergoing an Administrative Review in the base year, standard review and fiscal action procedures apply. SAs must include the eligibility determinations and benefit issuance process for base year Provision 2 and Provision 3 schools in the assessment of the SFA's compliance with Performance Standard 1 (eligibility determinations and benefit issuance procedures).

Special accommodations are made for calculating fiscal action in non-base years for Provision 2, Provision 3 and for Community Eligibility Provision schools. In Provision 2 and Provision 3 non-base years, fiscal action is limited to Performance Standard 1 meal counting and claiming errors and errors in Performance Standard 2. **Note:** these accommodations and other requirements for reviewing these schools are described in the Addendum: *Special Assistance Alternatives*.

Other Errors

Each Fiscal Action Workbook contains formulas to calculate fiscal action for non-standard situations and fields to record fiscal action for other program areas, etc.

Fiscal Year Integrity

When calculating fiscal action, SAs must calculate fiscal action for each fiscal year separately. The SA must maintain federal fiscal year integrity when taking the claim (i.e., the claim must be recovered from a period in the same fiscal year as the error(s) were identified).

60/90 Day Reporting

Fiscal action resulting from an Administrative Review does not have to comply with the 60/90 day claims reimbursement reporting requirements as defined in the *60/90 Guidance*, as amended.

Authorities

The following describes the various regulatory authorities related to the duration of fiscal action. The paragraph, *Duration of Fiscal Action*, summarizes the interaction of these regulatory authorities.

- The SA must extend fiscal action back to the beginning of the school year or that point in time during the current year when the infraction first occurred, as applicable. Based on the severity and longevity of the problem, the SA may extend fiscal action back to previous school years, as applicable. (7 CFR 210.19(c)(2)(ii))
- Exceptions to the duration of fiscal action are described below.

Performance Standard 1 — The SA must take fiscal action for all violations of Performance Standard 1, except in the following situations:

- The SA may limit fiscal action for violations of meal counting and claiming requirements from the point corrective action occurs back through the beginning of the review period provided that corrective action occurs (7 CFR 210.18(m))
- The SA need not take fiscal action for applications missing the names and signatures of an adult household member if corrective action occurs within timeframes specified by the SA. (7 CFR 210.19(c)(6)).

Performance Standard 2 — The SA is required to take fiscal action for all violations of Performance Standard 2; however, the SA may limit fiscal action as follows:

- For food component violations under Performance Standard 2, the SA must take fiscal action and require the SFA and/or reviewed school to take corrective action for the missing component. If a corrective action plan is in place, the SA may limit fiscal action from the point corrective action occurs back through the

beginning of the review period for errors identified under Performance Standard 2.

- For repeated violations involving vegetable subgroups and milk type cited under Performance Standard 2, the SA must take fiscal action provided that technical assistance has been given by the SA; corrective action has been previously required and monitored by the SA; and the SFA remains in noncompliance with the NSLP and/or SBP meal requirements.
- For repeated violations involving food quantities and whole grain rich foods cited under Performance Standard 2, and for violations of calorie, saturated fat, sodium and *trans* fat requirements, the SA has discretion to apply fiscal action, provided that technical assistance has been given by the SA; corrective action has been previously required and monitored by the SA; and the SFA remains in noncompliance with the NSLP and/or SBP meal requirements. (7 CFR 210.18(m))

If the SA finds any Performance Standard 2 violations as described above, the SFA will not be eligible for the 6 cents per lunch reimbursement, as adjusted, with the beginning of the month following the administrative review and, at SA discretion, for the month of review.

Performance-based cash assistance may resume beginning in the first full month the SFA demonstrates to the satisfaction of the SA that corrective action has taken place.

Note: “Repeated violations” are to be determined at the SFA level and are not school specific. For example, during an administrative review, an elementary school in SFA “A” was cited for a violation to the milk type requirements and on a subsequent review a high school within SFA “A” was cited for violations to milk type requirements; this would be considered a repeat violation. (7 CFR 210.18(m)(2)(iv))

Module: Fiscal Action Formula

Intent/Scope

The fiscal action formula listed below applies to any Claim for Reimbursement with errors in the following areas:

- Reimbursable meals
- Certification and benefit issuance
- Meal counting, consolidation, and claiming

General Information

The following terms are used in the Fiscal Action formula.

“Reimbursable meals” means meals meeting Program requirements. Reference Section II: *Meal Access and Reimbursement*, and Section III: *Nutritional Quality and Meal Patterns* for more information.

“Reviewed school” means the school(s) selected for review using the school selection procedures identified in Section I: *Pre-Visit Procedures*.

“Reviewed students” are the students actually selected for the certification and benefit issuance review under Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*. If the SA opted to review eligibility determinations for 100 percent of the free and reduced price students on the SFA’s point-of-service benefit issuance document(s) for all schools under its jurisdiction, “reviewed students” would mean 100% of the free and reduced price students on the SFA’s benefit issuance documents. If the SA opted to review a statistically valid sample of the free and reduced price students on the benefit issuance documents for all schools under the

SFA's jurisdiction, "reviewed students" would be the students selected for the sample. For example, the SA selected a sample of 450 student certifications for review, and these would be considered the reviewed students.

Calculating Fiscal Action for a Closed Period of Review

This formula is generally used to calculate fiscal action for schools following standard operating procedures in the NSLP/SBP. The following steps pertain to *Fiscal Action Workbook* FA-1, however the same formula applies to other situations (FA-2 & FA-3) in concept.

Step 1: Determine the correct count of reimbursable meals at the reviewed school(s)

The purpose of Step 1 is to determine the total number of reimbursable meals at the reviewed school. To obtain the total number of reimbursable meals the SA must adjust the meal counts, by type, to reflect errors in consolidation. In addition, the SA must decrease the SFA's total meal count to reflect the number of non-reimbursable meals claimed for reimbursement, i.e., meals that do not meet meal pattern requirements, meals served to adults or ineligible children, or second meals. **Note:** SFAs may not claim second meals in the NSLP; however, the SFA may claim second meals in the SBP as long as the SFA does not plan and produce meals with the intention of claiming second meals.

- (a) Consolidation Errors at the Reviewed School(s) – The SA must determine if any consolidation errors occur at the reviewed school. See SFA-1, 5B and 6B for NSLP day of review and review period. See SFA-1, 7B and 8B for SBP day of review and review period. Reference Section II: *Meal Access and Reimbursement*, Module: *Meal Counting and Claiming*, for more information. The SA must adjust the number of meals, by type, claimed by the reviewed school to reflect the correct count of meals. This may result in increases or decreases to the meal counts, by type. The SA must record the result of this calculation on the *Fiscal Action Workbook* (FA-1), Step 1.

For Example:

The SA reviewed two (2) schools. For NSLP, the reviewed schools claimed 13,050 meals (claimed 7,050 free; 4,000 reduced-price; and 2,000 paid) during the closed period of review. The SA determined that a consolidation error existed at one (1) of the reviewed schools resulting in an error of 50 meals being overclaimed as free meals.

Therefore, 50 meals must be subtracted from the reviewed schools total free claim of 7, 050.

7,050 total free meals claimed by the reviewed schools
- 50 free meals identified by the SA as a consolidation error
7,000 SA count of total free meals for the reviewed schools

- (b) Non-Reimbursable Meals at the Reviewed School(s) — The SA must subtract the number of non-reimbursable meals (i.e., meals not meeting the meal pattern requirements, and adult, ineligible children and second meals claimed) from the total number of meals claimed by the reviewed school after consolidation errors are corrected. See SFA-1, 5A and 6A for NLSP day of review and review period. See SFA-1, 7A and 8A for SBP day of review and review period. The result of this calculation must be recorded on the *Fiscal Action Workbook* (FA-1), Step 1.

For Example:

From Step 1(a), the total number of meals from the reviewed schools is 13,000 meals (7,000 free; 4,000 reduced-price; and 2,000 paid) during the closed period of review. The SFA determined that 1,000 meals were not reimbursable (i.e., meals not meeting the meal pattern requirements, and adult, ineligible children and second meals claimed).

Therefore, 1,000 non-reimbursable meals subtracted from 13,000 total meals results in the SA determining that 12,000 is the correct total reimbursable meals for the reviewed schools.

13,000 total meals claimed by reviewed school
- 1,000 non-reimbursable meals
12,000 SA count of total reimbursable meals for the reviewed schools

Step 2: Determine the number of reimbursable meals by benefit type at the reviewed school(s)

The purpose of Step 2 is to determine how many of the SA's corrected total number of reimbursable meals in the reviewed school (Step 1) are free, reduced-price, and paid respectively. The *Non-reimbursable Meal Allocation Form* (FA-4) can be used in this calculation, if needed.

- (a) **Reimbursable Free Meals** – To determine the total number of reimbursable free meals, divide the number of free meals claimed by the reviewed school by the total number of meals claimed for the reviewed school. Multiply the result by the SA count of the total number of reimbursable meals for the reviewed school from Step 1. The result of determining the SA count of reimbursable free meals is calculated automatically by the *Fiscal Action Workbook* (FA-1), Step 2.

$$\left(\frac{\text{Free meals claimed by reviewed school}}{\text{Total number of meals claimed by reviewed school}} \right) \times \text{SA count of total number of reimbursable meals} \\ = \text{SA count of reimbursable free meals}$$

For Example:

(7,000 free meals claimed by reviewed schools/13,000 total meals claimed by reviewed schools) x 12,000
SA count of total reimbursable meals = 6,462 SA count of reimbursable free meals

This means of the 12,000 reimbursable meals, 6,462 should be considered free meals.

- (b) **Reimbursable Reduced-Price Meals** – To determine the number of reimbursable reduced-price meals, divide the number of reduced-price meals claimed by reviewed school by the total number of meals claimed by reviewed school. Multiply the result by the SA count of the total number of reimbursable meals for the reviewed school from Step 1. The result of determining the SA count of

reimbursable reduced-price meals is calculated automatically by the *Fiscal Action Workbook* (FA-1), Step 2.

$$\left(\frac{\text{Reduced-price meals claimed by reviewed school}}{\text{Total number of meals claimed by reviewed school}} \right) \times \text{SA count of total number of reimbursable meals} \\ = \text{SA count of reimbursable reduced -price meals}$$

For Example:

(4,000 reduced-price meals claimed by reviewed schools/13,000 total meals claimed by reviewed schools) x 12,000 SA count of total reimbursable meals = 3,692 SA count of reimbursable reduced-price meals

This means of the 12,000 reimbursable meals, 3,692 should be considered reduced-price meals.

Step 3: Establish SFA count of students eligible for free and reduced-price meals

The purpose of Step 3 is to identify the number of students the SFA has certified for free and reduced-price meals, respectively. This count is derived from the number of students reviewed for certification and benefit issuance. Reference Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*.

- (a) The SA must record the SFA's count of the number of reviewed students the SFA certified for free and reduced-price meals, respectively, on the *Fiscal Action Workbook* (FA-1), Step 3. See SFA-1, 4D.

For Example:

The SA conducted a statistically valid sample of the universe (i.e., the point-of-service benefit issuance document(s) for each school within the SFA. Therefore, of the 2,600 students receiving free or reduced-price meals within the SFA, the SA reviewed 335 certified documentation (a 95 percent confidence level). (See Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance* for more information on statistically valid sample.)

SFA count of certified free = 250

SFA count of certified reduced-price = 85

Step 4: Establish SA count of students eligible for free and reduced-price meals

The purpose of Step 4 is for the SA to independently determine a count for the number of students correctly certified as eligible for free and reduced-price meals, based on the certification and benefit issuance documentation under review (i.e., the reviewed students).

The SA must record its count for the number of students correctly certified for free and reduced-price meals, respectively, on the *Fiscal Action Workbook* (FA-1), Step 4. See SFA-1, 4E.

For Example:

SA count of certified free = 210

SA count of certified reduced-price = 75

Step 5: Establish the certification and benefit issuance adjustment factor

The purpose of Step 5 is for the SA to determine the certification and benefit issuance adjustment factor. This factor is intended to adjust the number of reimbursable meals by benefit type (Step 2) to reflect the SA's determination of the number of students that should be certified as free or reduced price. **Note:** this takes into consideration both the certification and benefit issuance process as outlined in Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*

The certification and benefit issuance adjustment factor is the ratio of the SA count of students certified as eligible for free or reduced-price meals, respectively, (Step 4) divided by the SFA count of students certified as eligible for free or reduced-price meals, respectively, (Step 3). The resulting ratio represents the certification and benefit issuance adjustment factor for free or reduced-price meals. Note that the calculation of the adjustment factor does allow for some upward adjustments to credit the free and reduced price meal count totals. However, the application of the adjustment factor to the total free and reduced price meal counts will never result in totals exceeding the SFA's original count of total meals by free and reduce price categories.

- (a) Adjustment Factor for Free Meals — The certification and benefit issuance adjustment factor for free meals is automatically calculated by the *Fiscal Action Workbook* (FA-1), Step 5.

$$\begin{array}{l} \text{Number of students certified by the SA to be eligible for free meals} \\ \div \text{Number of students certified by the SFA to be eligible for free meals} \\ \text{Certification and benefit issuance adjustment rate for free meals} \end{array}$$

For Example:

$$\begin{array}{l} 210 \text{ students certified by SA for free meals} \\ \div 250 \text{ students certified by SFA for free meals} \\ 0.840 \text{ certification and benefit issuance adjustment factor for free meals} \end{array}$$

- (b) Adjustment Factor for Reduced-Price Meals — The certification and benefit issuance adjustment factor for reduced-price meals is automatically calculated by the *Fiscal Action Workbook* (FA-1), Step 5.

$$\begin{array}{l} \text{Number of students certified by the SA to be eligible for reduced-price meals} \\ \div \text{Number of students certified by the SFA to be eligible for reduced-price meals} \\ \text{Certification and benefit issuance adjustment factor for reduced-price meals} \end{array}$$

For Example:

$$\begin{array}{l} 75 \text{ students certified by SA for reduced meals} \\ \div 85 \text{ students certified by SFA for reduced meals} \\ 0.882 \text{ certification and benefit issuance adjustment factor for reduced-price meals} \end{array}$$

Step 6: Establish the SA reimbursable meal count, by category, at the reviewed school(s)

The purpose of Step 6 is to determine the meal count for free, reduced-price, and paid meals, respectively, for the reviewed school based on the certification and benefit issuance adjustment factor (Step 5).

The SA must apply the certification and benefit issuance adjustment factor for free and reduced-price meals, respectively, (Step 5) to the SA count for the number of reimbursable free and reduced-price meals, respectively, (Step 2) to adjust the reimbursable meals for each benefit category for the review period. The count for the number of paid meals is derived by subtracting these two calculations from the total SA count of reimbursable meals (Step 1).

Note: Claims for free and reduced-price meals for each reviewed school cannot exceed the allowable number of meals, as determined by the SA (Step 1).

- (a) Free Meal Count — Multiply the certification and benefit issuance adjustment factor for free meals (Step 5) by the number of reimbursable meals as determined by the SA for the free category (Step 2). The product of this calculation is the maximum number of free meals allowed to be claimed for the reviewed school.

The maximum number of free meals the SFA may claim is automatically calculated by the *Fiscal Action Workbook* (FA-1), Step 6.

Certification and benefit issuance adjustment factor for free meals (Step 5)
x SA's count of reimbursable free meals at the reviewed school (Step 2)
Maximum number of meals to be claimed free at the reviewed school

For Example:

0.840 certification and benefit issuance adjustment factor for free meals
x 6,462 SA's count for reimbursable free meals at the reviewed school
5,428 meals to be claimed free at the reviewed school

- (b) Reduced-Price Meal Count — Multiply the certification and benefit issuance adjustment factor for reduced-price meals (Step 5) by the number of reimbursable meals as determined by the SA for the reduced-price category (Step 2). The product of this calculation is the maximum number of reduced-price meals the reviewed school may claim.

The maximum number of reduced-price meals the reviewed school may claim is automatically calculated by the *Fiscal Action Workbook* (FA-1), Step 6.

Certification and benefit issuance adjustment factor for reduced-price meals (Step 5)
x SA's count of reimbursable reduced-price meals at the reviewed school (Step 2)
Maximum number of meals to be claimed reduced-price at the reviewed school

For Example:

0.882 certification and benefit issuance adjustment factor for reduced-price meals
x 3,692 SA's count for reimbursable reduced-price meals at the reviewed school
3,256 meals to be claimed reduced-price at the reviewed school

(c) Paid Meal Count — Subtract the maximum number of free meals (Step 6(a)) and the reduced-price meals (Step 6(b)) from the SA count of reimbursable meals at the reviewed school (Step 1). The difference is the maximum number of paid meals allowed to be claimed for the reviewed school.

The maximum number of paid meals the reviewed school may claim is automatically calculated by the *Fiscal Action Workbook* (FA-1), Step 6.

SA count of the total number of reimbursable meals for reviewed schools (Step 1)
– SA count of the number of reimbursable free meals (Step 6(a))
– SA count for the number of reduced-price meals (Step 6(b))
Maximum number of paid meals the reviewed school may claim

For Example:

12,000 SA count of total number of reimbursable meals for the reviewed school
– 5,428 meals to be claimed free
– 3,256 meals to be claimed reduced-price
3,316 meals to be claimed paid at the reviewed school

Step 7: Establish fiscal action

The purpose of Step 7 is to determine the amount of fiscal action to assess due to, consolidation errors, non-reimbursable meals and certification and benefit issuance errors at the review school.

The SA must determine the school's claim with the SA's corrections in order to determine the amount of fiscal action it assesses. The SA must use the reimbursement rate the SFA receives for this calculation. Therefore, if the SFA receives the Severe Need Breakfast rate, NSLP's high reimbursement rate, and/or the additional six cents for meeting the dietary specification, the SA must use the total amount of reimbursement per meal in these calculations.

- (a) School claim — Multiply the reviewed school's count of the number of free, reduced-price and paid meals claimed for the review period (Step 1) by the respective rate of reimbursement. The product is the amount of reimbursement claimed, by category, by the reviewed school for the review period.

This amount is automatically calculated by the *Fiscal Action Workbook* (FA-1), Step 7.

For Example:

For NSLP, the SFA received the NSLP's high rate with the 6-cent additional reimbursement for school year 2012-2013; therefore, the SFA's reimbursement rates for school year 2012-2013 where: Free = \$2.94; Reduced-Price = \$2.54; Paid = \$0.35

Free:

7,000 free meals claimed by reviewed school
x \$2.94 free reimbursement rate
\$20,580 Reviewed school reimbursement for free meals

Reduced-Price:

4,000 reduced-price meals claimed by reviewed school
X \$2.54 reduced-price reimbursement rate
\$10,160 Reviewed school reimbursement for reduced-price meals

Paid:

2,000 paid meals claimed by reviewed school
x \$0.35 paid reimbursement rate
\$700 Reviewed school reimbursement for paid meals

- (b) SA corrected claim — Multiply the SA count of the maximum number of free meals, reduced-price meals and paid meals the reviewed school may claim (Step 6 (a), (b), and (c)) by the respective rate of reimbursement. The product is the correct amount of reimbursement, by category, earned by the reviewed school for the review period.

This amount is automatically calculated by the *Fiscal Action Workbook* (FA-1), Step 7.

For Example:

Free:

5,428 free meals claimed by SA
x \$2.94 free reimbursement rate
\$15,958.32 Corrected reimbursement for free meals at the reviewed school

Reduced-Price:

3,256 reduced-price meals claimed by SA
X \$2.54 reduced-price reimbursement rate
\$8,270.24 Corrected reimbursement for reduced-price meals at the reviewed school

Paid:

3,316 paid meals claimed by SA
x \$0.35 paid reimbursement rate
\$1,160.60 Corrected reimbursement for paid meals at the reviewed school

- (c) Fiscal action — Subtract the SA corrected amount of reimbursement (Step 7(b)) from the school claim for reimbursement (Step 7(a)). The difference is the total amount of fiscal action.

This amount is automatically calculated by the *Fiscal Action Workbook* (FA-1), Step 7.

For Example:

Free:

\$15,958.32 SA corrected reimbursement for free meals
- \$20,580.00 Reviewed school(s) reimbursement for free meals
(\$4,621.68) difference for free meal reimbursement (SFA Overclaim)

Reduced-Price:

\$ 8,270.24 SA corrected reimbursement for reduced-price meals
- \$10,160.00 Reviewed school(s) reimbursement for reduced-price meal
(\$1,889.76) difference for reduced-price meal reimbursement (SFA Overclaim)

Paid:

\$1,160.60 SA corrected reimbursement for paid meals
- \$ 700.00 Reviewed school(s) reimbursement for paid meals
\$460.60 difference for paid meal reimbursement (SFA Underclaim)

Fiscal Action Forms

The *Fiscal Action Workbook* (FA-1, FA-2, FA-3) calculates fiscal action for each SFA and all reviewed schools when fiscal action is required. SAs are reminded to maintain documentation of fiscal action.

There are three versions of the *Fiscal Action Workbook* (FA-1, FA-2, FA-3). If used correctly, SAs should only need to use the one version that is appropriate for their situation. Each Version contains several separate tabs, all of which may or may not be needed for the review.

- FA-1 (Standard) is meant for SFAs implementing NSLP and/or SBP that do not include any non-base year provision 1, 2, or 3 schools and in situations that do not require recalculation. FA-1 is the most commonly used workbook.
 - Tab 1: “NSLP – Standard” is used to calculate fiscal action for NSLP in standard cases
 - Tab2: “SBP – Standard” ” is used to calculate fiscal action for SBP in standard cases
 - Tab 3: “Other Errors” is used to record other errors, as detailed below
 - Tab 4: “FA Summary” is used to consolidate total fiscal action from the above tabs
- FA-2 (Standard with Special Provisions or Community Eligibility Provision) is meant for SFAs implementing NSLP and/or SBP that include one or more non-base year provision 1, 2, 3 or Community Eligibility Provision schools.
 - Tab 1: “NSLP – Standard” is used to calculate fiscal action for NSLP in standard cases, i.e., non-provision and base-year provision schools
 - Tab2: “SBP – Standard” ” is used to calculate fiscal action for SBP in standard cases, i.e., non-provision and base-year provision schools

- Tab 3: “NSLP – P2 & CEO” is used to calculate fiscal action for NSLP mixed cases, i.e., one or more non-base year provision 2 and/or Community Eligibility Provision schools.
 - Tab 4: “SBP – P2 & CEO” is used to calculate fiscal action for SBP mixed cases, i.e., one or more non-base year provision 2 and/or Community Eligibility Provision schools
 - Tab 5: “NSLP – P3” is used to calculate fiscal action for NSLP mixed cases, i.e., one or more non-base year provision 3
 - Tab 6: “SBP – P3” is used to calculate fiscal action for SBP mixed cases, i.e., one or more non-base year provision 3
 - Tab 7: “Other Errors” is used to record other errors, as detailed below
 - Tab 8: “FA Summary” is used to consolidate total fiscal action from the above tabs
 - ***Tabs 3 & 4 may also be used to calculate fiscal action for claiming percentage errors occurring in claim months outside the Closed Period of Review at the reviewed schools and occurring at non-reviewed schools.
- FA-3 (Recalculation) is meant for SFAs implementing NSLP and/or SBP that may, but do not have to, include one or more base year provision 1, 2, 3 or Community Eligibility Provision schools. FA-3 is only used in SFAs that contain one or more reviewed schools that require recalculation. The tabs are almost identical to FA-2 except Tabs 1-4 contain the additional steps needed for recalculation.
 - Tab 1: “NSLP – Standard” is used to calculate fiscal action for NSLP in standard cases, i.e., non-provision and base-year provision schools
 - Tab2: “SBP – Standard” ” is used to calculate fiscal action for SBP in standard cases, i.e., non-provision and base-year provision schools
 - Tab 3: “NSLP – P2 & CEO” is used to calculate fiscal action for NSLP mixed cases, i.e., one or more non-base year provision 2 and/or Community Eligibility Provision schools

- Tab 4: “SBP – P2 & CEO” is used to calculate fiscal action for SBP mixed cases, i.e., one or more non-base year provision 2 and/or Community Eligibility Provision schools
- Tab 5: “NSLP – P3” is used to calculate fiscal action for NSLP mixed cases, i.e., one or more non-base year provision 3
- Tab 6: “SBP – P3” is used to calculate fiscal action for SBP mixed cases, i.e., one or more non-base year provision 3
- Tab 7: “Other Errors” is used to record other errors, as detailed below
- Tab 8: “FA Summary” is used to consolidate total fiscal action from the above tabs
- ***Tabs 3 & 4 may also be used to calculate fiscal action for claiming percentage errors occurring in claim months outside the Closed Period of Review at the reviewed schools and occurring at non-reviewed schools.

Note: When using FA-2 or FA-3 for SFAs that contain multiple Provision 2 or Community Eligibility Provision schools with distinct claiming percentages or multiple Provision 3 schools fiscal action must be calculated separately for each reviewed school (i.e., on a separate copy of the workbook) and tabulated manually in lieu of using the FA Summary tab.

Other Errors:

- Consolidation or claiming errors at the reviewed schools for periods other than the Closed Period of Review;
- Consolidation or claiming errors identified at non-reviewed schools for day of review, Closed Period of Review, and other claim periods;

- All meals counted and/or claimed for reimbursement for periods other than the review period in the reviewed schools and for all claim periods in non-reviewed schools which are identified as non-reimbursable by the SA;
- All Afterschool Snack meal disallowances;
- All unallowable and/or undocumented costs associated with the FFVP.

Calculating Fiscal Action for the Open Period of Review

SAs, in conjunction with the SFA, must ensure that any Claim for Reimbursement is correct when filed. This means that the claim for the Open Period of Review must correctly reflect any adjustments resulting from the Administrative Review. SAs must use the appropriate *Fiscal Action Workbook* (FA-1, FA-2, FA-3) to calculate fiscal action for the Open Period of Review (a separate copy than was used to calculate fiscal action for the Closed Period of Review).

To ensure the Claim for Reimbursement is correct when filed, the SA must:

- Obtain the reviewed school's proposed total meal counts, by type, for the Open Period of Review. These counts must include all days of operation and must reflect any corrective action required by the SA. All meal disallowances identified during the onsite portion of the review must be recorded for fiscal action for the Open Period of Review. The SA may want to require documented corrective action to be submitted at the same time as the proposed meal counts.
- Apply the fiscal action formula which takes into account adjustments for consolidation errors and non-reimbursable meals, and identify the reviewed school's correct meal counts for the Open Period of Review.
- Notify the SFA of the correct meal counts and require the SFA's Claim for Reimbursement reflect the corrected meal counts.

****Note:** Each Fiscal Action Workbook must be completed separately for the review period and month in which the on-site review takes place. Also, if the SA has site based claiming, a separate Fiscal Action Workbook must be completed for each review site.

Recalculation

Claims for Reimbursement must accurately reflect the number of reimbursable meals, by type, for any given day. If the SA identifies problems resulting in incorrect claims, the SA must identify the SFAs correct entitlement and apply fiscal action.

Generally, SAs have sufficient information to make appropriate adjustments to meal counts to ensure the meal counts reflect only reimbursable meals served to eligible students. However, there are situations where SAs must recalculate meal counts based on additional or more reliable information in order to assess fiscal action.

Recalculation procedures

Obtaining a meal counting and claiming system that yields correct claims and obtaining a correct count of the number of reimbursable meals may pose challenges that require a partial or full recalculation.

- Partial recalculation — In situations where no systemic problem exists but the meal counts for the day of review are suspect or incomplete, the SA may conduct a partial recalculation. In this case, the SA may look to data from past comparable days to establish the meal count, by type and/or the total meal count for the day of review. For example, the SA may consider using data for a day when a similar menu was served prior to the day of review. Once reliable data is obtained, the recalculated meal claims by category are then subject to the fiscal action formula.
- Full recalculation — In situations where systemic problems exist and meal counts, by type, and/or total meal counts are suspect or incomplete, the SA must conduct a full recalculation. In order to conduct a full recalculation, the SA must provide technical

assistance and secure corrective action, SFA-wide, to ensure the SFA understands and implements corrective actions resulting in an acceptable meal counting and claiming system. Depending on the severity of the problem, the SA may want to validate the corrective actions through a follow-up technical assistance visit.

Once the SA is satisfied that the problem has been resolved, the SFA must provide meal counts for 30 consecutive operating days from the reviewed school going forward. The SA must average the total meal counts, by category, e.g., divide the total number of meals, by category, (recorded during the 30 consecutive operating day period) by 30. The recalculated average daily meals, by category, then needs to be normalized to adjust for seasonal/monthly trends in participation by multiplying them by a normalization factor based on nationwide historical daily participation data. The *Fiscal Action Workbook* (FA-3) automatically calculates these recalculated and normalized claims. The recalculated meal claims by category are then subject to the standard fiscal action Formula.

Module: Withholding Payments

Intent/Scope

The SA must withhold program payments in the following situations:

- The SFA fails to submit documented corrective action by the established due date, including approved extensions, for a Performance Standard 1 or Performance Standard 2 error
- The SFA submits documented corrective action by the established due date, however, the SA finds that corrective action for a Critical Area was not in fact completed
- The SA finds a Critical Area error at the SFA on a previous review and SFA continues to have the same error for a same cause

When the SA determines that it is not in the best interest of the program to withhold 100 percent of program payments, it may withhold a minimum of 40 percent. Factors that the SAs may consider when determining the amount to withhold include:

- The ability of the SFA to continue to provide meals to students during the time it takes to complete corrective action
- The willingness of the SFA to complete corrective action on a timely basis. For example, the SA may give additional consideration when circumstances beyond the SFA's control cause a delay in required corrective action beyond the established due dates and approved extensions. (7 CFR 210.18(l)(3))

FNS Approval

The SA may withhold less than 40 percent of program payments occur when FNSRO determines that it is in the best interest of the program (7 CFR 210.18(l)(3)). The SA must submit a written request to FNSRO that includes the following information:

- The name of the SFA

- The date(s) of the Administrative Review and any follow-up reviews, if applicable
- A description of the Critical Area violation(s) identified during the Administrative Review, required corrective action, and the SFA response
- Results of any follow-up review(s)
- The withholding percentage requested
- The SA's rationale for withholding less than 40 percent of program payments including the adverse effect that a higher withholding amount would have on the SFA

Failure to Withhold

FNSRO may suspend the program or withhold program payments and State Administrative Expense funds, in whole or in part, for those SAs failing to withhold program payments as required in 7 CFR 210.18(l)(4).

Discretionary Withholding

The SA may withhold payments for General Areas of Review violations. For example, discretionary withholding of payments may be appropriate if:

- The SFA does not complete and submit corrective action within established timeframes
- The SFA does not take corrective action, as specified in the documented corrective action,

FNSRO approval for discretionary withholding of payments is not required. (7 CFR 210.18(l)(iv))

SFA Notification

The SA must provide the SFA with the right to appeal any decision to withhold payments. The contents of the notification must parallel the information in the module, *Letter of Claim Adjustment and/or Withholding of Payment Including Notice of Appeal* located later in this section. (210.18(q))

Effective Date

Withholding of program payments must begin immediately upon notification to the SFA. The SA must withhold payments for any original or upward adjusted claim, regardless of the date submitted to the SA. The SA may process downward adjustments to previously paid claims during the withholding period.

Duration

The SA must promptly release withheld program payments in the proper amount when the following is complete:

- The SFA completes all required corrective
- The SA receives documentation of corrective action
- The SA completes any required follow-up review
- The SA determines the corrective action was successful (7 CFR 210.18(l)(2))

Claim Submissions during Withholding

Since the SFA continues to earn program payments during a period of withholding, the SFA must continue to submit claims for reimbursement on a timely basis.

Reporting Requirements

FNS-777 SAs must report withheld payments as an unliquidated obligation on the *Financial Status Report*, FNS-777. The SAs must also identify any portion of unliquidated, obligated funds resulting from withholding of payments in the footnote section of the form.

FNS-10 Include meal count data from withheld claims on the appropriate monthly *Report of School Program Operation*, FNS-10.

Module: Overpayment Disregard

Intent/Scope

The SA may disregard an overclaim if the overclaim does not exceed \$600 per program, i.e., NSLP (including SSO, FFVP and Afterschool Snack), SBP and SMP. The disregard may be made once per federal fiscal year for any review or activity. However, the SA may not disregard an overclaim where there is substantial evidence of criminal law violations or civil fraud statutes.

The SA must use a written notification of potential or actual disregard when the claim amount is \$600 or less. The letter should include:

- Date of review
- Appreciation for response to review findings, if applicable
- Statement of claim amount, how it was determined, and the basis for the claim
- Name and telephone number of SA contact person

There is no \$600 disregard for a claim for reimbursement that has yet to be submitted.

Module: Letter of Claim Adjustment and/or Withholding of Payment Including Notice of Appeal

Intent/Scope

Upon receipt of the SFA's documented corrective actions, the SA must send the SFA a notice letter that details the grounds on which the denial of all or a part of the claim for reimbursement or withholding payment is based. This notice must be sent by **certified mail, return receipt requested**. (7 CFR 210.18(j))

Required Content

The required content is as follows:

- Explain in detail why all or a part of the claim for reimbursement has been denied and/or payment withheld
- Include a statement indicating that the SFA may appeal through state appeal procedures, if established or enclose a copy of 7 CFR 210.18(q) of the regulations for appeal procedures. Appeal rights must be provided for any proposed fiscal action for the review period, month in which the on-site review takes place, and all other claim periods.
- Inform the SFA of the entity to which the appeal should be directed

Suggestions for Additional Content

The suggested content is as follows:

- Date of review
- Appreciation for response to review findings
- Statement of claim adjustment amount, including meal count adjustments, how it was determined, and the basis for the claim
- SA recovery procedures
- Name and telephone number of SA contact person

Glossary of Terms

A la carte means food items available for cash sale independent of the reimbursable meal.

Administrative review means the comprehensive on-site evaluation of all SFAs participating in the Program. The term "Administrative Review" is used to reflect a review of both critical and General Areas, and includes other areas of program operations determined by the SA to be important to Program performance.

Alternate meal service location mean anywhere outside the typical food service area/cafeteria. Alternate meal locations include places such as classrooms, in-school suspension areas, grab & go stations.

Average daily participation (ADP) means the average number of children, by eligibility category, participating in the Program each operating day. These numbers are obtained by dividing (a) the total number of free lunches claimed during a reporting period by the number of operating days in the same period; (b) the total number of reduced-price lunches claimed during a reporting period by the number of operating days in the same period; and (c) the total number of paid lunches claimed during a reporting period by the number of operating days in the same period.

Base year is a term used with Special Assistance Provision 2 and Provision 3. For Provision 2, the base year is the last school year for which eligibility determinations were made and meal counts by type were taken and during which all meals were served at no charge, or the last year in which a school conducted a streamlined base year period. It is the first year, and is part of Provision 2's 4-year cycle. For Provision 3, the base year is the last complete school year for which eligibility determinations were made and meal counts by type were taken, or the last year in which a school conducted a streamlined base year period. The Provision 3 base year immediately precedes and is not included in the 4-year cycle.

Benefit issuance means the link in the accountability system between the eligibility determination and the benefit delivery.

Categorical eligibility means any child who is a member of a SNAP, FDPIR household, or TANF assistance unit that is automatically eligible for free meals or free milk. Such households must provide current SNAP, TANF, or FDPIR case numbers on the application. Based on information retained by the local educational agency, children may be determined categorically eligible from documentation of foster children, Head Start, homeless, runaway, and migrant status, as specified in 7 CFR 245.6.

Certification/benefit Issuance means the process used to determine a student's eligibility for free or reduced-price meal benefits and the method used to apply the correct meal benefit level for the student at the Point-of-service. The review of the certification documents may include a review of a household's application for meal benefits, direct certification information, or other source documentation. The review of the benefit issuance documents may include a review of a roster or medium of exchange (any type of ticket, token, ID, name or number) used in the process of providing a meal benefit.

Child means a student of high school grade or under as determined by the State educational agency, who is enrolled in an educational unit of high school grade or under as described in the definition of "School", including students who are mentally or physically disabled as defined by the State and who are participating in a school program for the mentally or physically disabled; or (b) a person under 21 chronological years of age who is enrolled in residential child care institution; or (c) for purposes for afterschool snacks, a child means an individual enrolled in an afterschool care program operated by an eligible school, who serves children up to 18 years of age or who turn 19 during the school year.

Child Nutrition Act of 1966 means a law enacted by Congress in 1966 (42 USC 1773 et seq.) to strengthen and expand domestic food service programs for children under the authority of the

Secretary of Agriculture. These programs include Special Milk and School Breakfast Programs and State Administrative Expense Funds (SAE).

Child nutrition programs include the National School Lunch Program (7 CFR 210)(including the Fresh Fruit and Vegetable Program, the Seamless Summer Option, and afterschool snacks), Special Milk Program (7 CFR 215), School Breakfast Program (7 CFR 220), and the Food Distribution Program, as it relates to the donation of food to schools participating in the Child Nutrition Programs.

Civil rights means no child shall be denied benefits or be otherwise discriminated against because of race, color, national origin, age, sex, or disability. SAs and SFAs must comply with Title VI of the Civil Rights Act of 1964; Title IX of the Education Amendments of 1972; section 504 of the Rehabilitation Act of 1973; the Age Discrimination Act of 1975; 7 CFR 15, 15a, and 15b; and FNS Instruction 113-1, *Civil Rights Compliance and Enforcement - Nutrition Programs and Activities*.

Claim for reimbursement means the claim submitted to a SA or FNSRO (where applicable) on a monthly basis by a SFA for reimbursement for meals served under the Child Nutrition Programs.

Code of Federal Regulations (CFR) means the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. Child nutrition regulations are contained in Title 7 of the CFR.

Corrective action means actions required to correct any violation identified under the Administrative Review and must be applied to all schools in the SFA, as appropriate; to ensure that previously deficient practices and procedures are revised system-wide. Corrective action may include correction of incorrect practices, training, etc.

Critical areas means the Performance Standard 1 and Performance Standard 2, measures of performance under the Administrative Review, as described in 210.18(g).

Cycle menu means a set of food components and food items that are different for each day during a cycle and repeats.

Day(s) means calendar day(s) unless otherwise specified.

Direct certification means the process of establishing children's categorical eligibility for benefits by obtaining documentation directly from the State or local SNAP, TANF or FDPIR office that the children are from households currently receiving SNAP, TANF, or FDPIR benefits. Households determined eligible for benefits through direct certifications are not required to submit a free and reduced-price application to the school.

Direct verification means using records from public agencies to verify income and/or student eligibility. Direct verification may be completed at the State or local level or through a joint effort at both levels. LEAs are not required to conduct direct verification. However, any SFA that wishes to conduct direct verification must contact their SA for assistance with establishing a direct verification method. For further information, please consult FNS' Eligibility Manual for School Meals.

Documented corrective action means written documentation provided by the SFA to the SA describing the actions taken to correct violations and the dates of completion. Documented corrective action may be provided at the time of the review or may be submitted to the SA within specified timeframes.

Edit checks means the procedure used by the SFA to compare each school's daily counts of free, reduced-price, and paid lunches against the product of the number of children in that

school currently eligible for free, reduced-price, and paid lunches, respectively, times an attendance factor.

Eligibility certification means the process used to determine a child's eligibility for benefits based on a free and reduced-price application submitted by a household or through other certification documentation.

Entrance conference means the initial meeting between the SA and the SFA to discuss pre-review, review content and post-review procedures.

Exit conference means a meeting at the close of a review to communicate findings to appropriate officials.

Family means a group of related or unrelated individuals, who are not residents of an institution or boarding house, but who are living as one economic unit.

First in, first out (FIFO) means an inventory accounting method by which the first items placed in inventory (i.e. foods and other meal service goods) are the first items used in meal preparation and production.

Fiscal action means the recovery of overpayment through direct assessment or offset of future claims, disallowance of overclaims as reflected in unpaid claims for reimbursement, submission of a revised Claim for Reimbursement, and correction of records to ensure that unfiled claims for reimbursement are corrected when filed. It also includes disallowance of funds for failure to take corrective action for noncompliance with nutritional standards.

Fiscal year (FY) means a period of 12 calendar months beginning October 1 of any year and ending with September 30 of the following year. This period represents the Federal Fiscal Year.

A State may have designated a periods other than October 1 through September 30 as its fiscal year. The Administrative Review uses the Federal Fiscal Year.

Food(s) of minimal nutritional value means the four categories of foods and beverages under 7CFR 210.11 and 220.12 (soda water, water ices, chewing gum, and certain candies) that cannot be served in areas where reimbursable meals are served and/or consumed unless the specific food item has been exempted from its foods of minimal nutritional value category by the Food and Nutrition Service

Food and Nutrition Service (FNS) means the agency under the United States Department of Agriculture responsible for administering the National School Lunch, School Breakfast, Special Milk, and other nutrition and food assistance programs.

Food Distribution Program on Indian Reservations (FDPIR) means a nutrition assistance program administered by FNS that provides donated USDA Foods to needy families residing on Indian reservations.

Food production record means the documentation of what was prepared and served. This documentation is necessary to support the claim for reimbursable meals and to identify information needed for the nutrient analysis.

Food service management company (FSMC) means a commercial enterprise or a nonprofit organization which is or may be contracted with by the SFA to manage any aspect of the school food service.

Free lunch means a lunch served under the Program to a child from a household eligible for such benefits under 7 CFR 245 and for which neither the child nor any member of the household pays or is required to work in the school or in the school's food service.

Free milk means milk served under the regulations governing the Special Milk Program for which neither the child nor any member of his family pays or is required to work in the school or in the school's food service. See 7 CFR 215 for more specific guidance.

Fresh Fruit and Vegetable Program (FFVP) means a USDA program under the National School Lunch Act that provides funding to States to make free fresh fruits and vegetables available in eligible elementary schools.

General areas mean the areas of review as specified in 7 CFR 210.18(h).

Hazard Analysis and Critical Control Points (HACCP) means a systematic preventive approach to food safety and pharmaceutical safety that addresses physical, chemical, and biological hazards as a means of prevention rather than finished product inspection.

Household (see Family)

Incomplete meal means any meal that does not meet the meal pattern and nutritional specification requirements set forth in 7 CFR 210 and 220, as applicable.

Limited English Proficient means an individual or household that does not speak English as their primary language and that have a limited ability to read, speak, write, or understand English.

Local educational agency (LEA) means a public board of education or other public or private nonprofit authority legally constituted within a state having administrative control of schools.

Local school wellness policy means a comprehensive LEA-wide policy that establishes goals and guidelines for nutrition education, physical activity, nutrition promotion, and other school-based activities to promote student wellness, prevent and reduce childhood obesity, and

provide assurance that school meal nutrition guidelines meet the minimum federal school meal standards.

Lunch means a meal which meets the National School Lunch Program requirements for specified age/grade groups of children as designated in 7 CFR 210.10.

Meal component/food component means one of the required food groups that comprise a reimbursable meal: meats/meat alternates, grains, vegetables, fruits, and milk.

Medium of exchange means cash or any type of ticket, token, ID, name, biometric identifier or number which eligible students exchange to obtain a meal.

Miscategorization occurs when a determining official has approved a student in a category other than the one supported by either a SNAP, TANF, or FDPIR number, or by the household size and income information provided by the household.

National School Lunch Act means the legislation that established the National School Lunch Program (NSLP) (42 USC 1751 et seq.) in 1946.

National School Lunch Program (NSLP) means the Program under which participating schools operate a nonprofit lunch program in accordance with 7 CFR 210. General and special cash assistance and donated food assistance are made available to schools in accordance with 7 CFR 210.

Non-base year means any year outside the base year including the extension years for Provision 2 and Provision 3 schools.

Offer versus serve (OVS) means a provision which allows students to decline a specific number of food components/food items depending on the menu planning approach used.

Operating days are those days when lunches are served under the National School Lunch Program.

Overclaim means the portion of a SFA's Claim for Reimbursement that exceeds the Federal financial assistance that is properly payable.

Overt identification means when students receiving free or reduced-price benefits are openly or physically identified by students or adults as receiving meals at the free or reduced-price rate.

Paid lunch means a lunch served to children who are either not certified for or elect not to receive the free or reduced price benefits offered under 7 CFR 245.

Participation factor means the percentages of children approved by the school for free, reduced-price, and paid lunches, respectively, who are participating in the Program. The free participation factor is derived by dividing the number of free lunches claimed for any given period by the product of the number of children approved for free lunches for the same period times the operating days in that period. A similar computation is used to determine the reduced-price and paid participation factors. The number of children approved for paid lunches is derived by subtracting the number of children approved for free and reduced-price lunches for any given period from the total number of children enrolled in the reviewed school for the same period of time, if available. If such enrollment figures are not available, the most recent total number of children enrolled shall be used. If SFA participation factors are unavailable or unreliable, State-wide data must be employed.

Participation rate means the ratio of free, reduced-price, and paid meals served to the total number of meals served.

Performance Standard 1 means the standard requiring all free, reduced-price and paid meals claimed for reimbursement are served only to children eligible for free, reduced-price and paid meals, respectively; and counted, recorded, consolidated and reported through a system which consistently yields correct claims. (7 CFR 210.18(g))

Performance Standard 2 means the standard requiring reimbursable lunches must meet the meal requirements in 7 CFR 210.10, as applicable to the age/grade group reviewed. Reimbursable breakfasts must meet the meal requirements in 7 CFR 220.8 and 220.23, as applicable to the age/grade group reviewed. (7 CFR 210.18(g))

Point-of-service means the point in the food service operation where a determination can accurately be made that a reimbursable free, reduced-price or paid lunch has been served to an eligible child.

Recalculation means a method for determining the number of lunches that are eligible for reimbursement in schools which do not have a reliable reimbursable meal data.

Reduced-price lunch means a lunch served under the Program: (a) to a child from a household eligible for such benefits under 245; (b) for which the price is less than the SFA designated full price of the lunch and which does not exceed the maximum allowable reduced-price specified under 245; and (c) for which neither the child nor any member of the household is required to work in the school or in the school's food service.

Reimbursable meal means a meal meeting the USDA meal pattern requirements, served to an eligible student, and priced as an entire meal rather than based on individual items. Such a meal qualifies for reimbursement with Federal funds.

Reimbursement means Federal cash assistance, including advances paid or payable to participating schools for lunches meeting the requirements of 210.10 and served to eligible children.

Residential child care institution (RCCI) means any distinct part of a public or nonprofit private institution that (1) maintains children in residence, (2) operates principally for the care of children, and (3) if private, is licensed by the State or local government to provide residential child care services under the appropriate licensing code.

Review period means the period of time covered by the Administrative Review, including, at a minimum, the most recent month for which a Claim for Reimbursement was submitted; provided that such Claim covers at least 10 operating days.

School means: (a) An educational unit of high school grade or under, recognized as part of the educational system in the State and operating under public or nonprofit private ownership in a single building or complex of buildings; (b) any public or nonprofit private classes of preprimary grade when they are conducted in the aforementioned schools; or (c) any public or nonprofit private residential child care institution, or distinct part of such institution, which operates principally for the care of children, and, if private, is licensed to provide residential child care services under the appropriate licensing code by the State or a subordinate level of government, except for residential summer camps which participate in the Summer Food Service Program for Children, Job Corps centers funded by the Department of Labor, and private foster homes.

School Breakfast Program (SBP) means the program authorized by Section 4 of the Child Nutrition Act of 1966, which provides meals to children in the morning hours served at or close to the beginning of the child's day at school and that meets the nutritional requirements set out in 7 CFR 220.8.

School food authority (SFA) means the governing body which is responsible for the administration of one or more schools; and has the legal authority to operate the Program therein or be otherwise approved by FNS to operate the Program.

School year (SY) means a period of 12 calendar months beginning July 1 of any year and ending June 30 of the following year.

Seamless Summer Option (SSO) means an option under the National School Lunch Program and School Breakfast Program which allows schools to provide breakfasts and lunches to children in low income areas during the summer months and other school vacation periods.

Self-service station or self-service food bar means any place in the food service operation where students serve themselves.

Site means the physical location where Program meals are served to children.

Special Milk Program (SMP) means the program under which participating schools receive cash assistance for each half-pint of milk served in accordance with 7 CFR 215.

State agency (SA) means (a) the State educational agency; (b) any other agency of the State which has been designated by the Governor or other appropriate executive or legislative authority of the State and approved by the Department to administer the Program in schools, as specified in 7 CFR 210.3(b); or (c) the FNSRO, where the FNSRO administers the Program as specified in 7 CFR 210.3(c).

Student with disabilities means any child who has a physical or mental impairment as defined in 7 CFR 15(b)(3) of USDA's nondiscrimination regulations.

Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, operates under the Food Stamp Act of 1977.

Supplemental Nutrition Assistance Program household means any individual or group of individuals which is currently certified to receive assistance as a household under the Supplemental Nutrition Assistance Program.

Systemic error means an error that occurs when any of the contributing factors are built into the process and would likely recur if the process is not changed.

Technical assistance means help or advice provided to the SFA or school, by the SA or FNS, to improve program operations.

Temporary Assistance for Needy Families (TANF) means the State funded program under Part A of Title IV of the Social Security Act that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995. This program is commonly referred to as Temporary Assistance for Needy Families, although States may refer to the program by another name.

Underclaim means the Claim for Reimbursement submitted by a SFA that requests less than the amount deemed properly reimbursable.

United States Department of Agriculture (USDA) means the Federal agency designated by Congress to administer the NSLP, SBP, and SMP.

Verification means confirmation of eligibility for free or reduced-price benefits under the NSLP or SBP. Verification includes confirmation of income eligibility and, at State or local discretion,

may also include confirmation of any other information required in the application which is defined as documentation in 7 CFR 245.2.

Authorities

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Addendum: Special Assistance Alternatives

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